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ABSTRACT

The hearings reported in this document focused on the need to reform the welfare system and the effects those reforms could have on welfare recipients. Issues addressed by the subcommittee members and the witnesses were the following: (1) why do one-fifth of the nation's children live in poverty in spite of welfare programs; (2) can the demonstration projects, such as workfare, gain widespread acceptance and success; (3) can health benefits improve and continue for those who move from the welfare rolls into jobs; (4) can a minimum standard of living be assured, especially in the wake of housing shortages; (5) how will self-sufficiency be achieved by dropouts and teenage parents; (6) can adequate child care services be assured; (7) how can the chronically unemployed people be motivated; (8) what will prevent inflation from recreating the present welfare situation; (9) what methods can be used to motivate the business sector to aid in this effort; (10) what can be done to enforce laws which assure equal access to jobs and education; and (11) what models are useful in preventing poverty in future generations. (VM)

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WELFARE REFORM

HEARINGS

BEFORE THE

SUBCOMMITTEE ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION

OF THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

ONE HUNDREDTH CONGRESS

FIRST SESSION

JANUARY 28; FEBRUARY 19; MARCH 4, 6, 10, 11, AND 13, 1987

Serial 100-14

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WELFARE REFORM

WEDNESDAY, JANUARY 28, 1987

House of Representatives,
Committee on Ways and Means,
Subcommittee on Public Assistance
and Unemployment Compensation,
Washington, DC.

The subcommittee met, pursuant to call, at 1 p.m., in room B-318, Rayburn House Office Building, Hon. Harold Ford (chairman of the subcommittee) presiding.

[Press releases announcing the hearings follow:]

FOR IMMEDIATE RELEASE
FRIDAY, JANUARY 23, 1987

PR #1
SUBCOMMITTEE ON PUBLIC ASSISTANCE
AND UNEMPLOYMENT COMPENSATION
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
1102 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515
TELEPHONE: (202) 225-3627

THE HONORABLE HAROLD FORD (D.,TENN.) CHAIRMAN, SUBCOMMITTEE ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION, COMMITTEE ON WAYS AND MEANS, U.S. HOUSE OF REPRESENTATIVES, ANNOUNCES A HEARING AT WHICH INVITED WITNESSES WILL TESTIFY ON WELFARE REFORM

The Honorable Harold Ford (D., Tenn.), Chairman, Subcommittee on Public Assistance and Unemployment Compensation of the Committee on Ways and Means, U.S. House of Representatives, announced today that the Subcommittee will conduct a hearing on welfare reform. The hearing will be held on Wednesday, January 28, 1987. It will begin at 1:00 p.m. in room B-318 of the Rayburn House Office Building.

The Subcommittee will hear testimony at this hearing only from invited witnesses. The invited witnesses include: Sen. Daniel P. Moynihan; Jack A. Meyer, author of "Ladders Out of Poverty," a report of the Project on the Welfare of Families; the American Public Welfare Association; and representatives of the Food Research and Action Center and Wider Opportunities for Women who will discuss the "Principles of Welfare Reform" statement which has been endorsed by over 100 organizations. The opportunity for other individuals to testify will be provided at future hearings.

WRITTEN STATEMENTS FOR THE RECORD OF THE HEARING

Persons wishing to submit a written statement for the printed record of the hearing should submit at least six (6) copies of their statements by the close of business, Friday, February 6, 1987, to Joseph K. Dowley, Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, 1100 Longworth House Office Building, Washington, D.C. 20515. If those filing written statements for the record of the printed hearing wish to have their statements distributed to the press and interested public, they may deliver 75 additional copies for this purpose to B-317 Rayburn House Office Building on the date of the hearing.

SEE ENCLOSED FORMATTING REQUIREMENTS

FOR IMMEDIATE RELEASE
FRIDAY, JANUARY 30, 1987

PR #2
SUBCOMMITTEE ON PUBLIC ASSISTANCE
AND UNEMPLOYMENT COMPENSATION
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
1102 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515
TELEPHONE: (202) 225-3627

THE HONORABLE HAROLD FORD (D., TENN.), CHAIRMAN,
SUBCOMMITTEE ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION,
COMMITTEE ON WAYS AND MEANS, U.S. HOUSE OF REPRESENTATIVES,
ANNOUNCES A HEARING AT WHICH MEMBERS OF CONGRESS WILL TESTIFY ON
WELFARE REFORM

The Honorable Harold Ford (D., Tenn.), Chairman, Subcommittee on Public Assistance and Unemployment Compensation of the Committee on Ways and Means, U.S. House of Representatives, announced today that the Subcommittee will conduct a second hearing on welfare reform. (See also PR #1, dated January 23, 1987.) The hearing will be held on Thursday, February 19, 1987, beginning at 10:00 a.m., in room B-318 of the Rayburn House Office Building.

The Subcommittee will hear testimony at this hearing only from Members of Congress. In announcing the hearing, Chairman Ford said, "I believe it is important that we take time now to talk with our colleagues about their welfare reform ideas. Since welfare reform can mean many different things to people, we need to be certain that all the various ideas are on the table before legislation is actually considered." The opportunity for other individuals to testify will be provided at future hearings.

DETAILS FOR SUBMISSION OF REQUESTS TO BE HEARD:

It is requested that Members of Congress interested in presenting oral testimony before the Subcommittee submit their requests to be heard by telephone to Harriett Lawler [(202) 225-3627] no later than noon, Tuesday, February 17, 1987. The Subcommittee staff will notify Members by telephoneof their scheduled appearance as soon as possible after the filing deadline. Any questions concerning the schedule should be directed to the Subcommittee [(202) 225-1025].

In order to assure the most productive use of the limited amount of time available to question witnesses, witnesses scheduled to appear before the Subcommittee are required to submit 75 copies of their prepared statements to the Subcommittee office, room B-317 Rayburn House Office Building, at least 24 hours in advance of their scheduled appearances.

WRITTEN STATEMENTS IN LIEU OF PERSONAL APPEARANCE:

Members of Congress wishing to submit a written statement for the printed record of the hearing should submit at least six (6) copies of their statement by the close of business, Friday, February 27, 1987, to Joseph K. Dowley, Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, B-317 Rayburn House Office Building, Washington, D.C. 20515. If those filing written statements for the record of the printed hearing wish to have their statements distributed to the press and interested public, they may deliver 75 additional copies for this purpose to the Subcommittee office, room B-317 Rayburn House Office Building on the date of the hearing.

SEE ENCLOSED FORMATTING REQUIREMENTS.

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FOR IMMEDIATE RELEASE
FRIDAY, FEBRUARY 20, 1987

PR #3
SUBCOMMITTEE ON PUBLIC ASSISTANCE
AND UNEMPLOYMENT COMPENSATION
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
1102 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515
TELEPHONE: (202) 225-3627

THE HONORABLE HAROLD FORD (D., TENN.), CHAIRMAN SUBCOMMITTEE ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION, COMMITTEE ON WAYS AND MEANS, U.S. HOUSE OF REPRESENTATIVES, ANNOUNCES ADDITIONAL HEARINGS ON WELFARE REFORM

The Honorable Harold Ford (D., Tenn.), Chairman Subcommittee on Public Assistance and Unemployment Compensation of the Committee on Ways and Means, U.S. House of Representatives, announced today that the Subcommittee will conduct additional hearings on welfare reform. The Subcommittee hearings will be held according to the following schedule:

Date	Time	Room
Wednesday, March 4	10:00 a.m.	1100 Longworth
Friday, March 6	10:00 a.m.	B-318 Rayburn
Tuesday, March 10	9:30 a.m.	B-318 Rayburn
Wednesday, March 11	9:30 a.m.	B-318 Rayburn
Friday, March 13	10:00 a.m.	B-318 Rayburn

On March 4, Administration witnesses will present testimony; on the other dates the Subcommittee will hear from public witnesses.

In announcing the hearings, Chairman Ford said, "I am pleased that Administration witnesses will appear before the Subcommittee so soon after Secretary Bowen's appearance before the full Committee on February 25th. It will give us the oppportunity to discuss the President's welfare demonstration projects, the Greater Opportunities through Work (GROW) proposal and the Aid to Families With Dependent Children (AFDC) youth initiative proposed by the Department of Labor in greater detail. I am also anxious to hear from public witnesses about their welfare reform ideas."

Public witnesses are encouraged to address the broad subject of welfare reform as well as comment on the Administration's proposals. In addition, several specific issue areas are of particular concern to the Subcommittee. Witnesses are encouraged to comment on the need for legislation that would:

- extend AFDC to two-parent families in which the principal earner is unemployed;
- enhance work opportunities for welfare recipients and target assistance to those who will have the most difficulty finding work;
- require or encourage parents with young children to work;
- provide basic and remedial education to welfare families;
- give States flexibility in the design of work, education and training programs;
- use a case management approach to the delivery of services;
- revise and simplify the earned income disregards to encourage work;
- provide supportive services, particularly day care and health care, to welfare families who are in training or school and to working families as they leave welfare;
- require or encourage minor parent families to live under adult supervision;
- coordinate AFDC and food stamp policies; and
- improve the adequacy of welfare benefits to assure families an income sufficient to avoid homelessness.

(MORE)

DETAILS FOR SUBMISSION OF REQUESTS TO BE HEARD:

Requests to be heard must be made by telephone to Harriett Lawler [(202)225-3627)] no later than noon, Tuesday, March 3, 1987, to be followed by a formal written request to Joseph K. Dowley, Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. The Subcommittee will notify by telephone those scheduled to appear as soon as possible after the filing deadline. Any questions concerning a scheduled appearance should be directed to the Subcommittee [(202) 225-1C25)].

In view of the limited time available to hear witnesses, the Subcommittee may not be able to accommodate all requests to be heard. Those persons and organizations not scheduled for an oral appearance are encouraged to submit written statements for the record of the hearings. All persons requesting to be heard, whether they are scheduled for oral testimony or not, will be notified as soon as possible after the filing deadline.

Witnesses scheduled to present oral testimony are requested to briefly summarize their written statements. The full statement will be included in the printed record.

In order to assure the most productive use of the limited amount of time to question witnesses, witnesses scheduled to appear before the Subcommittee are required to submit 75 copies of their prepared statement to the Subcommittee office, room B-317 Rayburn House Office Building, at least 24 hours in advance of their scheduled appearance. Failure to do so may result in the witness being denied the opportunity to testify in person.

WRITTEN STATEMENT IN LIEU OF PERSONAL APPEARANCE:

For those who wish to file a written statement for the printed record of the hearings, six copies are required and must be submitted by the close of business on Friday, March 20, 1987, to Josephy K. Dowley, Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. An additional supply of statements for the printed record may be furnished for distribution to the public and press if supplied to the Subcommittee office, room B-317 Rayburn House Office Building, during the course of the public hearings.

SEE ENCLOSED FORMATTING REQUIREMENTS.

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Chairman **Ford**. The Subcommittee on Public Assistance and Unemployment Compensation of the Committee on Ways and Means will come to order.

We are delighted to open the subcommittee hearing today and to welcome a new member of this committee, Mr. Tom Downey of New York, and a senior member of the Ways and Means Committee. We are delighted that you have joined us, Mr. Downey, on the Public Assistance Subcommittee. We know that there is a big task and a big job ahead of us in the 100th Congress. Hopefully we can complete much of this in the first session of the 100th Congress. We are delighted and very honored to have you as a new member of this subcommittee.

Mr. **Downey**. Thank you, Mr. Chairman. Let me say that I was a member of the subcommittee before I was sentenced to the Budget Committee. That sentence being completed, I am delighted to be back, and hopefully will be of some help to you and use to the committee in moving on with this issue of welfare reform. I have an interest in this matter, as you are aware, and hope to push some of those ideas on my colleagues and friends.

Chairman **Ford**. We also have back with us one of the senior members of this committee, Mr. Pease of Ohio.

Welcome back. Delighted to have you, and hopefully we are all ready to get back to work.

I would like to yield to you at this time.

Mr. **Pease**. Well, Mr. Chairman, it is good to be back in a new session of Congress. As you know, I chose this subcommittee when I first came on the Ways and Means Committee. I have enjoyed the service.

I think we face a very big challenge this year, in sorting out the recommendations of the President on welfare reform and making sure that it really is reform. We must be careful that we don't impose on the States and local governments a lot of financial responsibility which they are ill-prepared to meet.

Chairman **Ford**. Thank you. Also another member, not a new member of this committee at all, one who has been a very able person on this committee, Mrs. Kennelly of Connecticut.

Mrs. **Kennelly**. Thank you, Chairman Ford. And thank you for calling this hearing so speedily so that we can begin on something that we all want very much to become involved in.

I am pleased, obviously, to be back on the subcommittee, because I think you will head us in the Public Assistance Subcommittee to do something that so many of us—I see that our brothers on the other side aren't here—but Republican and Democrat, conservative and liberal, all agree on, is that we can do welfare reform, that we have many good intentions, that many of us have wanted to do this, but this is the year that we think we can do it.

I think the system has tried to do a good job, but at the moment it is failing children, one out of every five living in poverty. At the moment it is failing women. It doesn't even address many of the needs of women, women who have children, women who want to take care of those children, women who want to take themselves out of the lives they are being forced to lead and want to improve themselves and their families.

I am very committed on the work we are about to begin. I thank you very much for leading us.

Chairman **Ford**. Thank you.

Mr. Brown, the ranking minority member on the committee, in the organizational session yesterday pledged his cooperation with the subcommittee in trying to move quickly into a markup session on welfare reform.

We also note that the Subcommittee on Health is meeting today, and it might be that some of the minority members are not here because of a conflict with another subcommittee.

The Chair would just like to make a brief statement before we call on the first panel to testify before the subcommittee today.

Last night, in his State of the Union Message, President Reagan committed himself to reforming the "outmoded social dinosaur" called welfare, by proposing a series of local demonstrations. This announcement was a product of a year-long study of the welfare system by the President's domestic policy staff. I had hoped that the President's plan would include more than just community-based demonstrations, however, because much more needs to be done to fix our welfare system.

Many demonstration programs have already been implemented. In the State of Massachusetts, the ET Program has shown us that work programs for welfare recipients can make a difference. The State of Arkansas has already embarked upon an education initiative. Illinois and others have tested teenage pregnancy programs and know what works. California is about to begin a work, education, and training program for AFDC recipients. There are many other States that have already implemented some type of a demonstration program that we have had an opportunity to look at.

There are other key issues that we hope that the administration will come to this subcommittee or the full Committee on Ways and Means and talk about so that we have their input on what they would like to have in the bill that might be drafted and supported by members of this subcommittee, as well as other Members in the Congress.

Clearly, welfare reform has been elevated to the national agenda. The President talked about it last night. He talked about it in his State of the Union Message 12 months ago.

There has been a lot of talk throughout this Congress. There was a lot of talk in the last Congress. I am proud to know that my colleague and the ranking majority member of this committee has also fashioned a welfare reform package, or will be fashioning a welfare reform package in this session of the Congress. It will be our task, in the 100th Congress, to turn today's rhetoric into legislation that can make a difference for the poor in this country and the AFDC population of this Nation.

Welfare reform can mean many things. To the President it means national demonstration projects. To others it means expanded health care coverage for the poor, especially working families. It can also mean added resources for WIC and other nutrition programs. It can mean a renewed commitment to our schools, a restoration of academic excellence and an intensive effort to provide a quality education to our Nation's poorest children and adults.

It can mean taking steps to solve this country's growing homeless problem, not through short-term bandaids like temporary shelters, but by developing a sensible national housing policy that makes decent housing affordable for poor families.

Finally—and most importantly—it can mean making long overdue improvements in our Nation's basic cash welfare system, aid to families with dependent children.

While welfare reform can mean all of these things, it really boils down to one simple goal: creating opportunity. Making it possible for a mother on welfare to complete high school. Rewarding welfare recipients who work. Helping children stay in school. Training the unskilled for decent jobs in the marketplace. Helping our most disadvantaged citizens to participate fully in American society by leveling the playing field for the poor of this Nation. Creating opportunity is what welfare reform should be all about.

It is the intent of this subcommittee to hear from witnesses this week, and hopefully within the next 3 or 4 weeks, and at that time maybe we can move into a markup session for a welfare reform package.

We will hear from witnesses today. After the legislation has been introduced we will bring those bills before this committee and also hear from witnesses, and then move into the final markup session of a welfare reform package.

[The prepared opening statement follows:]

Opening Statement of
The Honorable Harold Ford (D., Tenn.), Chairman
Subcommittee on Public Assistance and Unemployment Compensation
Committee on Ways and Means
At the Subcommittee's First Hearing on
Welfare Reform

The Subcommittee on Public Assistance and Unemployment Compensation will come to order.

Last night, in his State of the Union message, President Reagan committed himself to reforming the "outmoded social dinosaur" called welfare by proposing a series of local demonstrations. This announcement was the product of a year-long study of the welfare system by the President's domestic policy staff. I had hoped that the President's plan would include more than just community-based demonstrations, however, because much more needs to be done to fix our welfare system.

Clearly, welfare reform has been elevated to the national agenda. It will be our task, in the 100th Congress, to turn today's rhetoric into legislation that can make a difference for America's poor families. We must begin by defining our terms.

Welfare reform can mean many things. To the President it means national demonstration projects. To others it means expanded health care coverage for the poor, especially working families. It can also mean added resources for WIC and other nutrition programs. It can mean a renewed commitment to our schools, a restoration of academic excellence and an intensive effort to provide a quality education to our nation's poorest children and adults. It can mean taking steps to solve this country's growing homeless problem, not through short term bandaids like temporary shelters but by developing a sensible national housing policy that makes decent housing affordable for poor families. Finally -- and most importantly -- it can mean making long overdue improvements in our nation's basic cash welfare system, Aid to Families with Dependent Children.

While welfare reform can mean all of these things, it really boils down to one simple goal: creating opportunity. Making it possible for a mother on welfare to complete high school. Rewarding welfare recipients who work. Helping children stay in school. Training the unskilled for jobs. Helping our most disadvantaged citizens to participate fully in American society by leveling the playing field. Creating opportunity is what welfare reform should be all about.

Over the next several months, the welfare reform debate will intesify. We will be consumed with discussions of "strategy." We will determine what is politically feasible and what we can afford. We will worry about "packaging" welfare reform proposals and the timing for action. Today, we forget strategy and what is "doable" and instead focus on the substance of what we want to do, who we want to help and why. We must be clear about these things in order to make real progress with welfare reform.

Our witnesses today are especially suited to this task. They include the seasoned veteran of welfare reform debates, the Honorable Daniel P. Moynihan of New York, and a panel of witnesses representing organizations and individuals who have come forward with welfare reform plans of their own. Over the next several months, we will hold more hearings, we will review many legislative proposals and -- I hope -- we will prepare to make the investment that is needed to break the cycle of poverty for America's poor families by creating opportunity.

Today the Chair would like to call the first panel of witnesses. We have the commissioner of the Connecticut Department of Income Maintenance and chair of the American Public Welfare Association's welfare reform project, Stephen B. Heintz. Along with Mr. Heintz is Jack A. Meyer, director, the Project on the Welfare of Families; Robert J. Fersh, executive director, Food Research and Action Center; and Cindy Marano, executive director, Wider Opportunities for Women.

Commissioner, we will recognize you as the first witness. We are delighted to have you.

I will be happy to yield to Mrs. Kennelly if she would like to introduce one of her constituents before the subcommittee.

Mrs. **Kennelly**. I certainly thank you, Mr. Chairman.

It is great pleasure for me to welcome all of the panelists, but to also welcome my commissioner from Connecticut, Stephen Heintz, who not only does an excellent job in our State, but is now heading the commissioners from all over the country. And, as a matter of fact, has just completed one of the best studies on welfare reform and given us goals, information, and opportunities to look toward.

I welcome you here today. I also know of the long road that we have in front of us. It is not going to be easy. We are all not going to get what we want, but I hope you will stick with us and stay with us and fight to see that this is done in the 100th Congress.

Stephen, thank you.

STATEMENT OF STEPHEN B. HEINTZ, COMMISSIONER, CONNECTICUT DEPARTMENT OF INCOME MAINTENANCE, AND CHAIRMAN, MATTER OF COMMITMENT STEERING COMMITTEE, AMERICAN PUBLIC WELFARE ASSOCIATION

Mr. **Heintz**. Thank you, Mr. Chairman. Thank you very much, Mr. Chairman, and other members of the committee.

Good afternoon. It is a pleasure for me to be here today on behalf of my colleagues from across the country who have spent much of the last year in reexamining and redesigning the social welfare system.

It is especially an honor to testify before Representative Kennelly from my home State of Connecticut, who has offered such leadership in our State on the issues that are of concern to Americans of all political persuasions, of all philosophies, who care about children, who are about women, and who look to a better future, a future with less poverty and less suffering.

I want to thank you, Mr. Chairman, for your continued leadership on this issue, and for holding these hearings so early in this session of Congress, so that all of us might work together long and hard during this session to fashion a true welfare reform that we can all be proud of, and that we will have confidence in and that can work to help lift families out of poverty.

With regard to the issue of welfare reform let me be clear from the outset: State sponsored, community based demonstration projects, as proposed by the President last night, simply will not be enough, nor will any other piecemeal approach. My colleagues and I believe that we must go far beyond mere tinkering with the existing system, and instead redesign fundamentally the way we respond to poverty in this country. A few statistics make this point.

As Representative Kennelly noted, one child in four is born into poverty in this country today. One child in five lives out his or her entire youth in poverty.

Among blacks and Hispanics, the numbers are even more stark. One out of two black children is poor. Two of five Hispanic children are poor.

As public human services administrators, we have the responsibility within our States to care for those who are vulnerable. Because of our experience, we can be both legitimate advocates for the clients we serve and vigorous critics of the very system we administer.

We know that something clearly is not working. The available array of services is not adequate to the needs. The system is failing American families.

Responding to the statistics and the growing concern, the State human service administrators adopted a policy statement in 1985 calling for a renewed public commitment to poor children, and their families. We organized a steering committee of State human service administrators to come together and examine this issue with the goal of presenting to the Congress, to our Governors, a major welfare reform proposal.

The group of commissioners is itself diverse, both politically and geographically. We are liberals and conservatives as commissioners. We serve Republican and Democratic Governors. We come from large and small States with urban and rural populations, but our goal we share, and it is very straightforward: to reduce the number of children living in poverty by strengthening their families and promoting self-sufficiency.

Before I outline our recommendations which are in a report that I believe you have, which is entitled "One Child in Four," I would like to tell you about the conclusions on which those recommendations are based.

First, we believe that individuals bear the primary responsibility for their own well-being and that of their families. In our view, self-sufficiency means for an adult a good job with a future, and for a child a nurturing family and success in school.

We value families as the basic building block of our society, but we also recognize that policies and programs must recognize the changing face of the American family, especially the increasing numbers of single-parent families headed by women.

We propose major reforms then in income security, education and employment programs, and the key components of our family investment program are as follows:

First, a client-agency contract requiring actions by clients on the one hand, and services from agencies on the other, encompassing education, employment, and strengthened family life.

Second, a comprehensive welfare to jobs program in each State to provide the services necessary for families to move from welfare to self-sufficiency.

Third, a new, nationally mandated, State-specific "family living standard" using the actual living costs as the basis for cash assistance to eligible families. The FLS would replace benefits to families under AFDC, food stamps, and the low-income energy assistance programs.

Fourth, aggressive enforcement of child support, including paternity determination.

Fifth, increased availability of affordable quality child care.

Last, case management in our human services agencies to help families assess their total needs and resources, to implement and monitor the client-agency contract, and to coordinate access for needed services for multiple agencies. In our view, the test of welfare policies must be their impact on families.

We firmly believe that parental support of children is the first line of defense against public dependency. Determining paternity and enforcing child support are mutual responsibilities of clients and agencies, responsibilities that must be accepted, and their enforcement rigorously pursued.

In our family development program, the primacy of parental responsibility is supported by the contract between the agency and the client. It is also reflected in our belief that establishing work patterns will immediately help families and children understand the importance of work in achieving independence from welfare.

Our approach commits both agencies and clients to real plans for independence. The client-agency contract is designed to turn mutual good intentions into mutual obligations and expectations, but the obligations and requirements of the contract must not be used in coercive ways nor should they presume in some patronizing fashion that our fellow citizens are unwilling or unable to assume their larger role in society.

The core of the contract we propose will be the employability or financial assistance plan. It commits clients to a range of self-help activities and it commits State and local agencies to support activities by providing necessary services and assistance. By establishing goals, time frames, and benchmarks, the contract translates the mutual expectations into concrete, simple, understandable terms. The contract in effect will be a discharge plan aimed at eventual self-sufficiency and independence from welfare.

Case management, which we propose for all public human services agencies, means brokering and coordinating the social, health, education, and employment services necessary to promote self-sufficiency and strengthen families. The process begins with an assessment of the family's needs and resources.

Could one or both parents benefit from parent education courses? Is there a serious problem involving drugs or alcohol, calling for specific treatment? Is the family's health care adequate? What of housing needs?

All of the needs that relate to both self-sufficiency and strong families would be taken into account.

Welfare reform in recent years seems to have become a euphemism for new welfare-to-work programs or old workfare programs, but reform of the welfare system must be exactly that: a comprehensive and concurrent reformulation of cash assistance, education, health care and employment-related policies.

The APWA proposals provide such a sweeping revision. We have taken at their word all of the proponents of welfare reform, the President, the Congress, Governors, advocates, and clients.

Our proposal goes beyond the question of whether to include the unemployed parent in public assistance, and whether the inconsistencies in benefits from State to State should be eliminated. It should go without saying that the entire family in need should be assisted so that it may ultimately be self-sufficient, and, of course, the cash assistance provided should be based on economic need and resources.

We believe that our social policy must ultimately be built on a comprehensive social insurance model. Young parents in poverty who have never had the advantage of gainful employment face just as many costs on behalf of their children as do laid-off auto workers or farmers displaced by economic factors beyond their control. Children in need are children in need.

Among the necessary transition stages as we move toward a social insurance policy is the establishment of a family living standard reflecting basic living costs which vary from one geographical area to another. It is not unrealistic to expect that families can effectively seek self-sufficiency, nurture and support their children's development, and be active members of their communities if their economic survival is always in doubt. Establishing a family living standard will assure a stable economic foundation from which the move to self-sufficiency can occur.

The family living standard would include the basic necessities such as housing and furnishings, food, clothing, transportation, utilities and other maintenance costs. We propose establishing State-specific family living standards to reflect actual costs of living in each State, but following a uniform Federal methodology.

Families with children would receive cash assistance in the form of an FLS supplement based on the difference between the standard and the family's income, including wages, child support, and other stipends.

We believe our proposal can significantly reduce dependency. First, comprehensive welfare-to-jobs programs would provide the education and training necessary to achieve self-sufficiency.

Our proposals for welfare-to-jobs programs are based on our experiences, on what succeeds and what fails, especially the successful WIN demonstration projects that have occurred in a number of our States, including Connecticut.

In terms of client obligations we recommend that employment or education toward employment be required of all parents with children age 3 or older, and a more limited program of education, employment, or some other activity designed to promote self-sufficiency or strengthen the family of younger children. Children do not benefit in the long run from having a single parent at home full time, if they do not also learn about self-sufficiency and the options available to them in the larger community.

Self-sufficiency through a comprehensive welfare-to-jobs program, of course, presumes the availability of quality child care and the other services necessary for economic independence.

Second, the family living standard coupled with the welfare-to-jobs program provides real encouragement to work. Because we believe it should always be to a family's benefit to work rather than not to work, the FLS would build in significant financial incentives to work. Families would be allowed to exclude 25 percent of all earned income plus the earned income tax credit when FLS benefits are calculated.

Third, stronger public schools for low-income children are critical to real self-sufficiency. We believe that the educational reforms already proposed must be acted upon quickly, including programs to prepare low-income children for school, to assure that they make maximum academic progress, completing high school at a minimum, and to ensure an effective transition from school to work.

Fourth, adequate health care coverage during the transition to self-sufficiency makes that transition possible. We are recommending that Medicaid continue to be available to recipients of family living standard benefits, and we are now embarking through our committee on a thorough review of the entire issue of access to health care for poor families and children.

As State administrators we are sometimes painfully aware of the need to be fiscally responsible in managing these large programs, and we are currently developing cost estimates for our proposed Family Investment Program. How the program is phased in and how quickly, will to a very great extent determine the costs in comparison with current expenditures. While additional State and Federal expenditures will be required up front, the program is designed to reduce welfare dependency through employment, reduce public human service expenditures, and create productive new workers and taxpayers. The savings in terms of reduced costs and increased State and Federal revenue will begin to defray the additional program costs in a very short time—perhaps as short as 3 to 5 years.

We are proposing a gradual phasing in of the family living standard over a 10-year period, with strong incentives to encourage States to achieve a full FLS as quickly as possible. The phase-in will take into account current State fiscal capacity as well as the current Federal budget deficit.

We hope to work with members of this subcommittee and other Members of Congress in completing the details of this program, and while the cost element is important, welfare reform is not only a question of what the costs are or where we get the money to pay for it. Our country is neither so poor nor so politically paralyzed that we cannot make the commitment to our children and their families to help bring them out of poverty.

If we begin with a clear statement of what we wish to accomplish through our public welfare efforts—indeed of what kind of society we hope to achieve, we can begin to work towards that national policy. We are united in the belief that the family is the first line of defense for stability and self-sufficiency. Government is the second level.

The Federal Government must continue its role of resource allocation, research and evaluation, and standard setting, but there is another critical role for the National Government as well, and that is to provide the kind of moral leadership necessary for an effective redesign of our social welfare system.

We stress that our proposals represent an investment, an investment that over time will return actual dollar benefits to government treasuries.

It is also a moral reinvestment in our historical belief in the worth of the individual. We must reorder the welfare system not only because it is the smart thing to do, but it is also the right thing to do, and that message should come from our national policymakers.

Last night in his State of the Union Address, the President said in another context, "Let it never be said of this generation of Americans that we became so obsessed with failure that we refused to take risks."

Real change always involves risks. True welfare reform will only be possible if together we take those risks. We must overcome the obstacles and objections raised by those more interested in ending programs than in improving them. It will only be possible if we are willing to transcend the parochial boundaries which define our political and our professional interests.

It will only be possible if we are willing to get expertise from all segments of the public and private sectors.

Finally, it will only be possible if we are willing to invest today in the stability and productivity of families, knowing that these investments, both fiscal and human, will return benefits to all of us far exceeding their dollar costs.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Heintz follows:]

TESTIMONY OF

STEPHEN B. HEINTZ
COMMISSIONER
CONNECTICUT DEPARTMENT OF INCOME MAINTENANCE
AND
CHAIRMAN
APWA MATTER OF COMMITMENT STEERING COMMITTEE
ON BEHALF OF

THE AMERICAN PUBLIC WELFARE ASSOCIATION
AND ITS PROJECT

"INVESTING IN POOR FAMILIES AND THEIR CHILDREN: A MATTER OF COMMITMENT"

INTRODUCTION

Good afternoon. I am Stephen Heintz, commissioner of the Connecticut Department of Income Maintenance and chairman of the American Public Welfare Association project, "A Matter of Commitment." We are pleased to participate in the subcommittee's hearings on welfare reform; and we thank the members for inviting us to join them in this important debate. In particular, Mr. Chairman, we want to thank you, Representative Matsui and Representative Kennelly for your leadership, inspiration and dogged determination to make welfare reform happen. We also wish to acknowledge the outstanding staff work provided to us on behalf of the subcommittee by Francis Canavan and Deborah Colton.

With regard to the issue of welfare reform, let me be clear from the outset. "State-sponsored, community-based demonstration projects" will not be enough. Nor will any other piece-meal approach. My colleagues and I believe that we must go far beyond mere tinkering with present public welfare programs and redesign fundamentally, the way we respond to poverty in this country. A few statistics make this point:

Basic Principles and Goals

Today one child in four is born into poverty in this country. One child in five lives out his or her childhood in poverty. Among Blacks and Hispanics the numbers are even more stark: one out of two black children is poor. Two of five Hispanic children are poor. As public human service administrators, we have responsibility within our states for the health and well-being of those who are vulnerable. We oversee the development and delivery of services. Many in our group have long experience and specific expertise in these areas. Because of our experience and our leadership responsibilities, we can be both legitimate advocates for the clients we serve and rigorous critics of the existing system we administer.

We know that something clearly is not working. The available array of services is not adequate to a the needs. The system is failing American families.

Responding to the numbers and what they represent, and to our responsibilities in our states, the human service administrators adopted a policy statement in 1985 calling for a renewed public commitment to poor children and their families. A steering committee was formed representing APWA's board of directors and its councils of state and local welfare administrators.

THE STEERING COMMITTEE HELD ITS FIRST FORMAL SESSION ONE YEAR AGO. THE GROUP IS ITSELF DIVERSE BOTH POLITICALLY AND GEOGRAPHICALLY. WE ARE REPUBLICANS AND DEMOCRATS; LIBERALS AND CONSERVATIVES. WE COME FROM LARGE STATES AND SMALL STATES; WE SERVE URBAN AND RURAL POPULATIONS.

WE HAVE DEBATED AMONG OURSELVES THE APPROPRIATE GOALS FOR OUR WELFARE SYSTEM AND THE POLICIES TO ATTAIN THOSE GOALS. WE HAVE MET WITH A NUMBER OF YOUR COLLEAGUES, WITH CONGRESSIONAL STAFF, WITH OFFICIALS IN THE ADMINISTRATION, WITH OTHER STATE AND LOCAL GOVERNMENT ORGANIZATIONS, PRIVATE NON-PROFIT GROUPS, AND WITH SOCIAL SCIENTISTS WORKING ON THE WHOLE RANGE OF ISSUES WITHIN THE SOCIAL WELFARE FIELD.

OUR GOAL IS STRAIGHTFORWARD: TO REDUCE THE NUMBER OF CHILDREN LIVING IN POVERTY BY STRENGTHENING THEIR FAMILIES AND PROMOTING SELF-SUFFICIENCY.

BEFORE I OUTLINE OUR RECOMMENDATIONS I'D LIKE TO TELL YOU ABOUT THE CONCLUSIONS ON WHICH THEY ARE BASED.

THERE IS A VITAL PUBLIC ROLE AND RESPONSIBILITY FOR SOCIETY'S WELFARE AND EACH INDIVIDUAL HAS CERTAIN RESPONSIBILITIES TOWARD SOCIETY. WE BELIEVE THAT INDIVIDUALS BEAR THE PRIMARY RESPONSIBILITY FOR THEIR OWN WELL-BEING AND THAT OF THEIR FAMILIES. IN OUR VIEW, SELF-SUFFICIENCY MEANS FOR AN ADULT, A GOOD JOB; AND FOR A CHILD, A NURTURING FAMILY AND SUCCESS IN SCHOOL. WE VALUE FAMILIES AS THE BASIC BUILDING BLOCK OF OUR SOCIETY, BUT WE ALSO REALIZE THAT POLICIES AND PROGRAMS MUST RECOGNIZE THE CHANGING FACE OF FAMILIES, ESPECIALLY THE INCREASING NUMBER OF SINGLE-PARENT FAMILIES HEADED BY WOMEN.

INVESTING IN STRONGER SELF-SUFFICIENT FAMILIES WILL BRING SIGNIFICANT RETURNS: PRODUCTIVE WORKERS FOR A SHRINKING LABOR MARKET, DIMINISHING NEED FOR INCOME MAINTENANCE AND SOCIAL SERVICES PROGRAMS, AND A HEALTHIER AND STRONGER SOCIETY.

TO PUT THE CONCEPT OF INVESTMENT AND MUTUAL RESPONSIBILITY INTO ACTION, WE PROPOSE MAJOR REFORMS IN INCOME SECURITY, EDUCATION, AND EMPLOYMENT PROGRAMS. THE KEY COMPONENTS OF OUR FAMILY INVESTMENT PROGRAM INCLUDE THE FOLLOWING:

- A CLIENT-AGENCY CONTRACT REQUIRING ACTIONS BY CLIENTS AND SERVICES FROM AGENCIES ENCOMPASSING EDUCATION, EMPLOYMENT AND STRENGTHENED FAMILY LIFE. WORK OR EDUCATION TOWARD EMPLOYMENT IS REQUIRED OF PARENTS OF CHILDREN OVER 3; WORK-RELATED OR OTHER PART-TIME OUT-OF-HOME ACTIVITY IS REQUIRED OF OTHER PARENTS.

- A COMPREHENSIVE WELFARE-TO-JOBS PROGRAM IN EACH STATE TO PROVIDE THE SERVICES NECESSARY FOR FAMILIES TO MOVE FROM WELFARE TO SELF-SUFFICIENCY. A STRONG CONNECTION BETWEEN ECONOMIC DEVELOPMENT AND HUMAN DEVELOPMENT SO THAT JOBS ARE AVAILABLE FOR THOSE NOW DEPENDENT ON WELFARE.

- A NEW NATIONALLY-MANDATED, STATE-SPECIFIC "FAMILY LIVING STANDARD" USING ACTUAL LIVING COSTS AS THE BASIS FOR CASH ASSISTANCE TO ELIGIBLE FAMILIES. THE "FLS" WOULD PROVIDE A STABLE ECONOMIC BASE AS FAMILIES MOVE TOWARD SELF-SUFFICIENCY AND WOULD REPLACE BENEFITS TO FAMILIES WITH CHILDREN UNDER THE AID TO FAMILIES WITH DEPENDENT CHILDREN, FOOD STAMP, AND LOW-INCOME HOME ENERGY ASSISTANCE PROGRAMS.

- AGGRESSIVE ENFORCEMENT OF CHILD SUPPORT INCLUDING PATERNITY DETERMINATION, VIEWED BY COMMISSIONERS AS A RESPONSIBILITY OF BOTH INDIVIDUALS AND HUMAN SERVICE AGENCIES.

- STRONGER PUBLIC SCHOOLS FOR LOW-INCOME CHILDREN INCLUDING BETTER PREPARATION AND STANDARDS TO ASSURE ACADMEIC PROGRESS AND GRADUATION FROM HIGH SCHOOL.

- INCREASED AVAILABILITY OF AFFORDABLE, QUALITY CHILD CARE TO MEET CHILDREN'S DEVELOPMENTAL NEEDS AND SUPPORT FAMILIES WORKING TOWARD SELF-SUFFICIENCY.

- CASE MANAGEMENT IN OUR HUMAN SERVICE AGENCIES TO HELP FAMILIES ASSESS TOTAL NEEDS AND RESOURCES, TO IMPLEMENT AND MONITOR THE CONTRACT, AND COORDINATE ACCESS TO NEEDED SERVICES FROM MULTIPLE AGENCIES.

RECOGNIZING THAT OUR GOAL OF REDUCING POVERTY AMONG CHILDREN CANNOT BE REACHED IF THE CURRENT INCIDENCE OF ADOLESCENT PREGNANCY IS ALLOWED TO PERSIST, OUR REPORT ALSO CONTAINS PROPOSALS TO DEAL WITH THE PROBLEM OF CHILDREN HAVING CHILDREN. WE KNOW THIS ISSUE IS OF GREAT CONCERN TO THE SUBCOMMITTEE, ESPECIALLY YOU, MR. CHAIRMAN, AND WE WOULD WELCOME THE OPPORTUNITY TO PRESENT THESE PROPOSALS TO THE SUBCOMMITTEE ON ANOTHER OCCASION.

CENTRALITY OF THE FAMILY

THE FIRST OBLIGATION OF PUBLIC POLICY MUST BE TO REINFORCE--THROUGH BOTH WORDS AND ACTIONS--THE CENTRALITY OF THE FAMILY AND THE PRIMACY OF PARENTAL RESPONSIBILITY IN AMERICAN SOCIETY. MY COLLEAGUES AND I WANT TO MAKE THE CASE THAT PARENTAL RESPONSIBILITY FOR THE CARE OF CHILDREN MUST BE ENFORCED. WE DO NOT BELIEVE THAT POVERTY SOMEHOW REMOVES THE RIGHTS AND OBLIGATIONS OF PARENTS TOWARD THEIR CHILDREN.

WE FIRMLY BELIEVE THAT PARENTAL SUPPORT OF CHILDREN IS THE FIRST LINE OF DEFENSE AGAINST PUBLIC DEPENDENCY. ALL CHILDREN HAVE THE RIGHT TO EXPECT FINANCIAL SUPPORT FROM THEIR PARENTS AND PARENTS HAVE THE RESPONSIBILITY, TO PROVIDE THAT SUPPORT. DETERMINING PATERNITY AND ENFORCING CHILD SUPPORT ARE MUTUAL RESPONSIBILITIES OF CLIENTS AND AGENCIES--RESPONSIBILITIES THAT MUST BE ACCEPTED AND THEIR ENFORCEMENT AGGRESSIVELY PURSUED.

IN OUR FAMILY INVESTMENT PROGRAM PROPOSAL, THE PRIMACY OF PARENTAL RESPONSIBILITY IS SUPPORTED BY THE "CONTRACT" BETWEEN AGENCY AND CLIENT. IT IS ALSO REFLECTED IN OUR BELIEF THAT WHILE ESTABLISHING WORK PATTERNS IN A HOUSEHOLD MAY NOT AUTOMATICALLY REDUCE PUBLIC ASSISTANCE CASELOADS, IT WILL IMMEDIATELY HELP PARENTS AND CHILDREN UNDERSTAND THE IMPORTANCE OF WORK IN ACHIEVING INDEPENDENCE FROM WELFARE.

OUR APPROACH COMMITS BOTH AGENCIES AND CLIENTS TO REAL PLANS FOR INDEPENDENCE. THE CLIENT-AGENCY CONTRACT IS DESIGNED TO TURN MUTUAL GOOD INTENTIONS INTO MUTUAL OBLIGATIONS AND EXPECTATIONS. AND OBLIGATIONS ARE JUST THAT--OBLIGATIONS. THEY REPRESENT THE MUTUAL RESPECT AND GOODWILL OF CLIENT AND AGENCY IN WORKING TOWARD THE BEST INTERESTS OF THE CLIENT AND, THEREBY, OF SOCIETY. THE OBLIGATIONS AND REQUIREMENTS OF THE CONTRACT MUST NOT BE USED IN COERCIVE WAYS; NOR SHOULD THEY PRESUME, IN SOME PATRONIZING FASHION, THAT OUR FELLOW CITIZENS ARE INCAPABLE OR UNWILLING TO ASSUME THEIR ROLE IN THE LARGER SOCIETY.

THE CORE OF THE CONTRACT WE PROPOSE WILL BE AN EMPLOYABILITY AND FINANCIAL ASSISTANCE PLAN, FROM WHICH FLOW THE SPECIFIC OBLIGATIONS OF BOTH CLIENT AND AGENCY. THE CONTRACT COMMITS CLIENTS TO A RANGE OF SELF-HELP EFFORTS, AND IT COMMITS STATE AND LOCAL AGENCIES TO SUPPORT THOSE EFFORTS BY PROVIDING NECESSARY SERVICES AND ASSISTANCE. BY ESTABLISHING GOALS, TIMELINES AND BENCHMARKS, THE CONTRACT TRANSLATES MUTUAL EXPECTATIONS INTO CONCRETE TERMS. THE CONTRACT WILL BE IN EFFECT A "DISCHARGE PLAN" AIMED AT EVENTUAL SELF-SUFFICIENCY AND INDEPENDENCE FROM THE SYSTEM.

THE CLIENT'S OBLIGATIONS UNDER THE CONTRACT WILL INCLUDE MANDATORY WORK AND EDUCATION/TRAINING ACTIVITIES BASED ON THE INDIVIDUAL'S NEEDS, ABILITIES, AND GOALS. THE AGENCY WILL PROVIDE SERVICES NEEDED TO SUPPORT THE FAMILY IN ACHIEVING SELF-SUFFICIENCY. THE CONTRACT WILL BE MONITORED REGULARLY THROUGH THE PROCESS OF CASE MANAGEMENT.

"CASE MANAGEMENT" WHICH WE PROPOSE FOR ALL PUBLIC HUMAN SERVICE AGENCIES MEANS BROKERING AND COORDINATING THE SOCIAL, HEALTH, EDUCATION, AND EMPLOYMENT SERVICES NECESSARY TO PROMOTE SELF-SUFFICIENCY AND STRENGTHEN FAMILIES. THE PROCESS BEGINS WITH AN ASSESSMENT OF THE FAMILY'S NEEDS AND RESOURCES IN FOUR AREAS: (1) EDUCATIONAL ATTAINMENT, (2) WORK EXPERIENCE AND (3) FAMILY DEVELOPMENT--IN ORDER TO KNOW WHAT PROGRAM OR SERVICES THE FAMILY NEEDS--AND (4) INCOME SECURITY TO DETERMINE THE NEED FOR CASH ASSISTANCE AND DEVELOP BUDGET PLANS.

THE NEED FOR COMPREHENSIVENESS

WELFARE REFORM SEEMS TO HAVE BECOME A EUPHEMISM FOR NEW WELFARE-TO-WORK PROGRAMS OR OLD WORKFARE PROGRAMS. REFORM OF THE WELFARE SYSTEM MUST BE EXACTLY THAT--A COMPREHENSIVE REFORMULATION OF CASH ASSISTANCE, EDUCATION, HEALTH CARE AND EMPLOYMENT-RELATED POLICIES THAT STRENGTHEN FAMILY LIFE AND PROMOTE SELF-SUFFICIENCY.

THE APWA PROPOSALS PROVIDE SUCH A SWEEPING REVISION. WE HAVE TAKEN AT THEIR WORD ALL OF THE PROPONENTS OF WELFARE REFORM--THE PRESIDENT, THE CONGRESS, THE GOVERNORS, THE ADVOCATES, THE CLIENTS. OUR PROPOSAL GOES BEYOND THE QUESTION OF WHETHER TO INCLUDE THE UNEMPLOYED PARENT IN PUBLIC ASSISTANCE AND WHETHER THE INCONSISTENCIES IN BENEFITS FROM STATE TO STATE SHOULD BE ELIMINATED. IT SHOULD GO WITHOUT SAYING THAT THE ENTIRE FAMILY IN NEED SHOULD BE ASSISTED SO THAT IT MAY ULTIMATELY BE SELF-SUFFICIENT. AND, OF COURSE, THE CASH ASSISTANCE PROVIDED TO FAMILIES SHOULD BE BASED ON THEIR ECONOMIC NEED AND RESOURCES.

WE BELIEVE THAT OUR SOCIAL POLICY MUST ULTIMATELY BE BUILT ON A COMPREHENSIVE SOCIAL INSURANCE MODEL. THIS IS IN PART PRAGMATIC, IN PART PHILOSOPHICAL. OUR PUBLIC PROGRAMS DIRECTED AT ECONOMICALLY ADVANTAGED AS WELL AS DISADVANTAGED INDIVIDUALS HAVE FARED WELL--MEANS-TESTED PROGRAMS HAVE NOT. WE BELIEVE ASSISTANCE TO POOR FAMILIES AND CHILDREN SHOULD BE BASED ON ECONOMIC NEED, NOT ON OTHER MORE ARBITRARY FACTORS. YOUNG PARENTS IN POVERTY WHO HAVE NEVER HAD THE ADVANTAGE OF GAINFUL EMPLOYMENT FACE JUST AS MANY COSTS ON BEHALF OF THEIR CHILDREN AS DO LAID-OFF AUTO WORKERS OR FARMERS DISPLACED BY ECONOMIC FACTORS BEYOND THEIR CONTROL. CHILDREN IN NEED ARE CHILDREN IN NEED.

AMONG THE NECESSARY TRANSITION STAGES AS WE MOVE TOWARD A SOCIAL INSURANCE POLICY IS THE ESTABLISHMENT OF A FAMILY LIVING STANDARD REFLECTING BASIC LIVING COSTS WHICH VARY FROM ONE GEOGRAPHICAL AREA TO ANOTHER.

IT IS NOT USEFUL TO PRETEND THAT FAMILIES CAN EFFECTIVELY SEEK SELF-SUFFICIENCY, NURTURE AND SUPPORT THEIR CHILDREN'S DEVELOPMENT, AND BE ACTIVE MEMBERS OF THEIR COMMUNITIES IF THEIR ECONOMIC SURVIVAL IS ALWAYS IN DOUBT. ESTABLISHING A FAMILY LIVING STANDARD WILL ASSURE A STABLE ECONOMIC FOUNDATION FROM WHICH THE MOVE TO SELF-SUFFICIENCY CAN TAKE PLACE.

THE FAMILY LIVING STANDARD WOULD INCLUDE BASIC NECESSITIES SUCH AS HOUSING AND FURNISHING, FOOD, CLOTHING, TRANSPORTATION, UTILITIES AND OTHER MAINTENANCE COSTS. WE PROPOSE ESTABLISHING STATE-SPECIFIC FAMILY LIVING STANDARDS TO REFLECT ACTUAL LIVING COSTS IN EACH STATE. FAMILIES WITH CHILDREN WOULD RECEIVE CASH ASSISTANCE IN THE FORM OF AN FLS SUPPLEMENT BASED ON THE DIFFERENCE BETWEEN THE STANDARD AND THE FAMILY'S INCOME, INCLUDING WAGES, CHILD SUPPORT AND OTHER STIPENDS.

ONCE A FAMILY LIVING STANDARD IS ESTABLISHED, BENEFITS TO FAMILIES WILL BEGIN TO REFLECT ACCURATELY FAMILY NEED.

FROM THE OUTSET THE CASE MANAGER, WHO IS TRAINED AND SKILLED IN ASSESSMENT, ASSISTS THE FAMILY IN DETERMINING THE FAMILY'S NEEDS AND RESOURCES. THAT INTAKE PROCESS WILL REVIEW THE PARENTS' EDUCATIONAL ATTAINMENT, WORK EXPERIENCE, INCOME SECURITY, AND FAMILY'S DEVELOPMENT NEEDS. COULD ONE OR BOTH PARENTS BENEFIT FROM PARENT EDUCATION COURSES? IS THERE A SERIOUS PROBLEM INVOLVING DRUGS OR ALCOHOL CALLING FOR SPECIFIC TREATMENT? IS THE FAMILY'S HEALTH CARE ADEQUATE? WHAT ARE THE HOUSING NEEDS? ALL OF THE "NEEDS" THAT RELATE TO BOTH SELF-SUFFICIENCY OPTIONS AND THE STRENGTH AND STABILITY OF THE FAMILY UNIT ARE TAKEN INTO ACCOUNT.

REDUCING DEPENDENCY

WE BELIEVE THE APWA PROPOSAL WOULD REDUCE DEPENDENCY IN FOUR WAYS:

(1) **COMPREHENSIVE WELFARE-TO-JOBS PROGRAMS WOULD PROVIDE THE EDUCATION AND TRAINING NECESSARY TO ACHIEVE SELF-SUFFICIENCY.**

OUR PROPOSALS FOR WELFARE-TO-JOBS PROGRAMS ARE BASED ON THE SUCCESSES STATES HAVE HAD IN MOVING WELFARE RECIPIENTS INTO NONSUBSIDIZED JOBS THROUGH THE WORK INCENTIVE (WIN) DEMONSTRATION AUTHORITY. WE URGE THAT THE STATES HAVE FLEXIBILITY IN CHOOSING THE APPROPRIATE MIX OF PROGRAM ELEMENTS INCLUDING REMEDIAL EDUCATION, SKILLS TRAINING, JOB SEARCH, JOB TRAINING. WE RECOMMEND A

75 PERCENT UNCAPPED FEDERAL SHARE IN THE COSTS OF SUCH PROGRAMS.

IN TERMS OF CLIENT OBLIGATIONS WE RECOMMEND:

- EMPLOYMENT OR EDUCATION TOWARD EMPLOYMENT BE REQUIRED OF ALL PARENTS WITH CHILDREN AGE THREE OR OLDER.
- A MORE LIMITED PROGRAM OF EDUCATION, EMPLOYMENT OR OTHER ACTIVITY DESIGNED TO PROMOTE SELF-SUFFICIENCY OR STRENGTHEN THE FAMILY BE REQUIRED OR PARENTS OF YOUNGER CHILDREN.

CHILDREN DO NOT BENEFIT IN THE LONG RUN FROM HAVING A SINGLE PARENT AT HOME FULL-TIME IF THEY DO NOT ALSO LEARN ABOUT SELF-SUFFICIENCY AND THE OPTIONS AVAILABLE TO THEM IN THE LARGER COMMUNITY. SELF-RESPONSIBILITY AND COMMUNITY INVOLVEMENT ARE MORE READILY APPARENT TO A CHILD IF THE PARENT SETS SUCH AN EXAMPLE. ONE OF THE THINGS THAT WE TOO OFTEN FORGET WHEN WE URGE WORK REQUIREMENTS ON WELFARE RECIPIENTS IS THAT THE ROUTINE OF JOB-SEEKING AND JOB-RETENTION IS NOT ROUTINE IN MANY LOW-INCOME FAMILIES. MAINTAINING SOME CONNECTION TO THE COMMUNITY, EVEN WHEN THE CHILDREN ARE INFANTS, IS DESIRABLE BECAUSE IT RADICALLY REDUCES THE ISOLATION OF POOR YOUNG MOTHERS AND HEIGHTENS THE OPPORTUNITIES FOR SINGLE PARENTS TO WORK AND GAIN SELF-SUFFICIENCY.

SELF-SUFFICIENCY THROUGH A COMPREHENSIVE WELFARE-TO-JOBS PROGRAM, OF COURSE, PRESUMES THE AVAILABILITY OF QUALITY CHILD CARE AND THE OTHER SERVICES NECESSARY FOR ECONOMIC INDEPENDENCE.

(2) **THE FAMILY LIVING STANDARD COUPLED WITH THE WELFARE-TO-JOBS PROGRAM PROVIDES REAL ENCOURAGEMENT TO WORK.**

BECAUSE WE BELIEVE IT SHOULD ALWAYS BE TO A FAMILY'S BENEFIT TO WORK, THE FLS WOULD INCLUDE FINANCIAL INCENTIVES TO WORK. FAMILIES WOULD BE ALLOWED TO EXCLUDE 25 PERCENT OF ALL EARNED INCOME AS WELL AS THE EARNED INCOME TAX CREDIT WHEN CALCULATING THE BENEFIT LEVEL.

(3) **STRONGER PUBLIC SCHOOLS FOR LOW-INCOME CHILDREN ARE CRITICAL TO REAL SELF-SUFFICIENCY.**

CHILDREN DROP OUT OF SCHOOL IN PART BECAUSE THEY DO NOT AND CANNOT MAKE THE CONNECTION BETWEEN THEIR OWN SCHOOLING AND THEIR EVENTUAL SELF-SUFFICIENCY AS GAINFULLY EMPLOYED MEMBERS OF SOCIETY. SCHOOL IS IRRELEVANT TO CHILDREN UNLESS THEY CAN SEE HOW IT WILL FINALLY BENEFIT THEM AND THEIR FAMILIES.

WE BELIEVE THAT EDUCATIONAL REFORMS ALREADY PROPOSED MUST BE ACTED UPON INCLUDING PROGRAMS TO PREPARE LOW-INCOME CHILDREN FOR SCHOOL, TO ASSURE THAT THEY MAKE MAXIMUM ACADEMIC PROGRESS--COMPLETING HIGH SCHOOL AT A MINIMUM--AND TO INSURE EFFECTIVE TRANSITIONS FROM SCHOOL TO WORK.

(4) **ADEQUATE HEALTH CARE COVERAGE DURING THE TRANSITION TO SELF-SUFFICIENCY MAKES THAT TRANSITION POSSIBLE.**

WE ARE RECOMMENDING THAT MEDICAID CONTINUE TO BE AVAILABLE TO RECIPIENTS OF FAMILY LIVING STANDARD BENEFITS, AND WE ARE NOW EMBARKING ON A THOROUGH REVIEW OF THE ENTIRE AREA OF ACCESS TO HEALTH CARE FOR POOR FAMILIES AND CHILDREN. WE DO KNOW, NOW, HOWEVER, THAT HEALTH CARE COVERAGE IS ESSENTIAL FOR POOR FAMILIES AS THEY ENTER THE WORK FORCE AND FOR A SUFFICIENT TRANSITION PERIOD UNTIL EMPLOYERS MAKE ADEQUATE HEALTH CARE COVERAGE AVAILABLE TO SUCH FAMILIES.

WELFARE REFORM IN A PERIOD OF FISCAL RESTRAINT

WE ARE CURRENTLY DEVELOPING COST ESTIMATES FOR OUR PROPOSED FAMILY INVESTMENT PROGRAM. A WHOLE SERIES OF COMPLEX QUESTIONS HAVE TO BE ANSWERED EVEN TO PRODUCE ROUGH ESTIMATES ON A PROPOSAL THIS COMPREHENSIVE. SOME OF THOSE

VARIABLES:

- O THE COST OF THE STATE FAMILY LIVING STANDARDS. BECAUSE SUCH STANDARDS DO NOT YET EXIST WE MUST BASE OUR ESTIMATES ON "PROXIES" FOR THOSE FIGURES, WHILE, AT THE SAME TIME, WE WORK OUT THE METHODOLOGY FOR COMPUTING A FAMILY LIVING STANDARD BASED ON FAMILY NEED.
- O THE COST OF JOB PROGRAMS, SUPPORT SERVICES, AND ADMINISTRATION, FOR EACH STATE.
- O THE FEDERAL-STATE "MATCH" WHICH MUST TAKE INTO ACCOUNT FISCAL CAPACITY AS WELL AS ENCOURAGE STATES TO ACHIEVE FULL IMPLEMENTATION AS QUICKLY AS POSSIBLE.
- O THE PROJECTED RETURN ON THESE INVESTMENTS AS PARTICIPANTS ACHIEVE INDEPENDENCE FROM THE WELFARE SYSTEM.

HOW THE PROGRAM IS PHASED IN AND HOW QUICKLY WILL TO A VERY GREAT EXTENT DETERMINE THE COSTS IN COMPARISON WITH CURRENT EXPENDITURES. WHILE ADDITIONAL STATE AND FEDERAL EXPENDITURES WILL BE REQUIRED UP FRONT, THE PROGRAM IS DESIGNED TO REDUCE WELFARE DEPENDENCY THROUGH EMPLOYMENT, REDUCE PUBLIC HUMAN SERVICE EXPENDITURES, AND CREATE PRODUCTIVE NEW WORKERS AND TAXPAYERS. THE SAVINGS IN TERMS OF REDUCED COSTS AND INCREASED STATE AND FEDERAL REVENUE WILL BEGIN TO DEFRAY THE ADDITIONAL PROGRAM COSTS IN A VERY SHORT TIME--PERHAPS AS SHORT AS THREE TO FIVE YEARS.

WE ARE PROPOSING A GRADUAL PHASING IN OF THE FAMILY LIVING STANDARD OVER A 10-YEAR PERIOD, WITH STRONG INCENTIVES TO ENCOURAGE STATES TO ACHIEVE A FULL FLS AS QUICKLY AS POSSIBLE. THE PHASE IN WILL TAKE INTO ACCOUNT CURRENT STATE CAPACITY, AND THE CURRENT FEDERAL BUDGET DEFICIT.

WE HOPE TO WORK WITH THE MEMBERS OF THIS SUBCOMMITTEE AND OTHER MEMBERS OF CONGRESS IN COMPLETING THE DETAILS OF THIS PROGRAM. WE ARE WORKING BOTH THE NATIONAL GOVERNORS' ASSOCIATION AND THE NATIONAL ASSOCIATION OF STATE BUDGET OFFICERS ON COST ESTIMATES AND FINANCING METHODS.

AS OUR REPORT STATES, "WHILE WE RECOGNIZE THE REALITY OF FISCAL CONSTRAINTS, WE STRONGLY BELIEVE IN THE BASIC SOUNDNESS OF THE INVESTMENT STRATEGIES WE PROPOSE."

WE WOULD LIKE TO STRESS THAT WHILE THE COST ELEMENT IS IMPORTANT, FOR THE NATION TO BE SERIOUS ABOUT ADDRESSING WELFARE REFORM IN A WAY THAT SUPPORTS FAMILIES AND HELPS THEM BECOME INDEPENDENT, OUR CONCEPTS PROVIDE A SOUND AND PRAGMATIC APPROACH. OUR PROJECT IS TITLED "A MATTER OF COMMITMENT" AND THAT IS EXACTLY WHAT IS INVOLVED. THIS COUNTRY HAS RESOURCES FAR GREATER THAN ANY COUNTRY ON EARTH, YET OUR CHILDREN ARE SUFFERING WITH PROBLEMS MORE ACUTE THAN CHILDREN IN MANY LESS WEALTHY COUNTRIES. IT IS NOT A QUESTION ONLY OF WHAT IT COSTS, OR OF WHERE WE GET THE MONEY TO PAY FOR IT--OUR COUNTRY IS NEITHER SO POOR NOR SO POLITICALLY PARALIZED THAT WE CANNOT MAKE THE COMMITMENT TO OUR CHILDREN AND THEIR FAMILIES TO HELP BRING THEM OUT OF POVERTY.

CONCLUSIONS

IF WE BEGIN WITH A CLEAR AND DEFINITIVE STATEMENT OF WHAT WE WISH TO ACCOMPLISH THROUGH OUR PUBLIC WELFARE EFFORTS--INDEED OF WHAT KIND OF SOCIETY WE HOPE TO ACHIEVE--WE CAN BEGIN TO WORK TOWARD THAT NATIONAL POLICY.

WE ARE UNITED IN THE BELIEF THAT THE FAMILY IS THE FIRST LINE OF DEFENSE FOR STABILITY AND SELF-SUFFICIENCY. GOVERNMENT IS THE NEXT LEVEL. THE FEDERAL GOVERNMENT MUST CONTINUE ITS ROLE OF RESOURCE ALLOCATION, RESEARCH AND EVALUATION, AND STANDARD-SETTING. THERE IS ANOTHER CRITICAL ROLE FOR THE NATIONAL GOVERNMENT: TO PROVIDE THE KIND OF MORAL LEADERSHIP NECESSARY FOR AN

EFFECTIVE REDESIGN OF OUR SOCIAL WELFARE SYSTEM. WE STRESS THAT OUR PROPOSALS REPRESENT AN INVESTMENT: AN INVESTMENT THAT OVER TIME WILL RETURN ACTUAL DOLLAR BENEFITS TO GOVERNMENT TREASURIES. IT IS ALSO A MORAL REINVESTMENT IN OUR HISTORICAL BELIEF IN THE WORTH OF THE INDIVIDUAL. WE MUST REORDER OUR WELFARE SYSTEM NOT ONLY BECAUSE IT IS THE SMART THING TO DO: IT IS ALSO THE RIGHT THING TO DO, AND THAT MESSAGE SHOULD COME FROM OUR NATIONAL POLICY-MAKERS.

LAST NIGHT THE PRESIDENT SAID, IN ANOTHER CONTEXT, "LET IT NEVER BE SAID OF THIS GENERATION OF AMERICANS THAT WE BECAME SO OBSESSED WITH FAILURE THAT WE REFUSED TO TAKE RISKS." REAL CHANGE ALWAYS INVOLVES RISKS.

TRUE WELFARE REFORM WILL ONLY BE POSSIBLE IF WE OVERCOME THE OBSTACLES AND OBJECTIONS RAISED BY THOSE MORE INTERESTED IN ENDING PROGRAMS THAN IN IMPROVING THEM. IT WILL ONLY BE POSSIBLE IF WE ARE WILLING TO TRANSCEND THE PAROCHIAL BOUNDARIES WHICH DEFINE OUR POLITICAL AND PROFESSIONAL INTERESTS. IT WILL ONLY BE POSSIBLE IF WE ARE WILLING TO USE THE EXPERTISE FROM ALL SEGMENTS OF THE PUBLIC AND PRIVATE SECTORS. FINALLY, IT WILL ONLY BE POSSIBLE IF WE ARE WILLING TO INVEST TODAY IN THE STABILITY AND PRODUCTIVITY OF FAMILIES, KNOWING THAT THESE INVESTMENTS--BOTH FISCAL AND HUMAN-WILL RETURN BENEFITS TO ALL OF US FAR EXCEEDING THEIR DOLLAR COSTS.

Chairman FORD. Thank you very much, commissioner.

Now we will hear from the director of the Project on the Welfare of Families, Jack Meyer.

STATEMENT OF JACK A. MEYER, DIRECTOR, PROJECT ON THE WELFARE OF FAMILIES, AMERICAN HORIZONS FOUNDATION, AND PRESIDENT, NEW DIRECTIONS FOR POLICY

Mr. MEYER. Thank you, Mr. Chairman.

We have made some copies of the report of our task force chaired by Governor Bruce Babbitt and Dr. Arthur Flemming, which is called "Ladders Out of Poverty," available to this committee.

I won't read a statement since we have provided our report. We will be happy to make more copies available or submit the summary introductory chapter for the record. If you would like, what I thought I would do is take just a few minutes and summarize the highlights and summarize my views and recommendations.

We have heard a lot of rhetoric about welfare in recent months, and I think that has deflected us from getting down to the real problem, which is poverty in this country, poverty that is higher than it was a decade ago. I think we need to cut through this rhetoric.

On the one hand, we hear the welfare system described as a monster and that it is the source of the problem. From this school of thought we hear suggestions that people ought to watch the Cosby show or perhaps "Family Ties." I have watched those shows, but I don't think that is the answer to poverty in this country.

On the other hand, we hear suggestions that if we just raise benefits, the problem will go away. While I will recommend raising benefits, I think the problem is bigger than the welfare system even though it involves the welfare system. We can easily get hung up on fighting about whether welfare is the cause or the symptom or the problem.

Indeed, I would like to emphasize in my brief remarks today the prevention of poverty, so that people don't have to rely on welfare, coupled with an adequate welfare and support system for those who do fall into these circumstances, so that they are properly protected.

Let me start with the adequate support system. As Steve has mentioned, anyone who has studied the welfare system knows that it is riddled with inequities, and I think we just have to recognize in this country that we can no longer afford or tolerate a situation in which a constituent, a family of four in one State in this country receives a maximum AFDC payment standard of $147 a month.

That comes from data published by this committee last year, which will be updated shortly. That translates into an income of $1,764 a year.

No one can be expected to live on that. That is for a family of four, with no other income. That is simply unconscionable, and when you compare that $147 payment standard in Alabama to a $698 standard in California, which is almost five times as high, you realize that we simply are running two different countries here, and we have to stop that.

I recommend some kind of a Federal floor. I believe in a Federal/State system for public assistance, but I think we have to set come minimums, and when you have to be pathetically poor instead of just poor to get any help at all, something has to be done.

Our report recommended that we start at a minimum level of 65 percent of poverty for the sum of AFDC and food stamps. Others have recommended 50 or two-thirds. I don't think that is as important as that we say that those States that are providing 20 to 30 percent of the Federal poverty line simply have to come up in order to get a Federal match or they won't get a Federal match. Then, above this line, as long as they are meeting that minimum I think there should be a Federal match. Thus, I favor a Federal floor with State supplementation.

I think we also have to address the issue of the working poor, who have been systematically excluded in many areas from benefits, because not only are those AFDC payment standards so low that it is very hard to get under them, but also we have tightened up the allowable deductions for working mothers and fathers in this country so that you can't even take as much away against your gross income in order to get under these pathetically low payment standards. So, the working poor are getting it from two sides.

The benefit standards have eroded in real terms, and the work expense deductions and disregards previously allowed to low-wage workers have been seriously restricted.

I recommend a modest relaxation in those allowable deductions, and making the system operate so that people can get some aid if they work.

I think we are sending the wrong signals in our welfare system. Although our rhetoric extols work and family, we punish the very people that comply with those values. The surest way to get yourself out of welfare in this country is to take a job or to hold your family together vis-a-vis the alternatives. That is not consistent with those values.

The other recommendations I have have concern the prevention of poverty. Our report, I might add, had a number of other recommendations about the details of the public assistance system, including SSI, which we think is a better model than AFDC, but even there benefits need to be raised. I won't go into the details of those recommendations now, but I will be happy to discuss them.

I want to emphasize a few preventive strategies that I think are important. The first one involves running a sound economy.

You might say, "why is he talking about economic policies," but clearly studies have shown that there is a direct relationship, a clear relationship between economic growth and poverty reduction. When we are taking the national debt from $1 trillion at the beginning of this decade toward $3 trillion at the end, we cannot help but sacrifice the interests not only of the poor, but also of middle-class Americans. We need to get that deficit under control through real means, not through mirrors, and I think we can do that even as we extend a measure of coverage to the needy and preserve the opportunity programs that are so modestly funded compared to other parts of the budget.

So a sound economy is the first prescription.

A second prescription recognizes that with the best economic growth in the world, we are going to bypass and transcend some of the poor who do not have the skills needed to participate in our economy. We should not only strengthen the economy to draw them in, but augment their skills in ways that make them job ready.

Therefore, I think we need much sounder and stronger investment in the public and private sector in basic skills for our youth. I won't go into details here, and others are more knowledgeable than I am about how we can address the terrible problems of our school dropout rate, quality of education in many school systems, and inadequate investments in such public programs that have good track records such as Head Start, WIC, and the Job Corps.

These programs are funded at modest levels. The Job Corps costs under $1 billion. These are programs whose cost would get lost in rounding error at the Pentagon or in the Social Security Program. Yes, we have to be cost conscious, but as we get tough on the budget, which I favor, we have to take a look at the whole budget and not just the budget for the poor.

But lest you think that I am advocating only public solutions, there are a number of private models that have also proven effective. Our report has a chapter on this. In the private sector such programs as Jobs for America's Graduates and 70,001—which specializes in helping school dropouts—are good examples of effective private strategies. We need to understand that success isn't just getting a job, but also can involve getting back in school, or passing a previously flunked Armed Forces entrance exam, and some of the evaluations of programs like Job Corps have only counted as successes those people who are actually directly placed in the labor market. We need much more emphasis on the transition from school to work and on basic skills.

A third area involves low wages. We should be doing something about low wages as part of a preventive strategy, just as we should provide a sound economy and invest in basic skills. We have here the very vulnerable citizens who are struggling making $7,000, $8,000, $9,000 a year, but they are still under poverty.

As you know, a family of four where the head works full time, full year at the minimum wage today is still $4,000 or so under the Federal poverty line. With the exception of food stamps, they get no help from the Government, and they are doing the best they can.

I think we need a program designed for them. I think it should not be welfare, pure and simple. I don't think the American people want to give welfare to workers, although, as I say, some relaxations in the restrictions under AFDC might be appropriate.

I think we need a package that goes beyond welfare. I think the Congress made an important step last year in exempting several million low-wage workers from Federal income taxation.

That helps, but we know that Federal tax rates just above the poverty line are still high. In fact, our report has an article by Gene Steverle and Paul Wilson showing that for the near poor, effective tax rates can be as high as 45 percent, when you count the phase-downs under Government programs and so on, and we all know the stories of the implicit tax rates that face our low-wage workers that no wealthy American would ever tolerate.

So I think we need further tax relief. We could do that by extending steps taken by Congress in the earned income tax credit, perhaps letting that vary by family size.

We can consider measures of Social Security tax relief, by exempting the first so many dollars of payroll taxes, funded perhaps by raising the Social Security base. State income tax relief should also be encouraged.

In addition, I think we need to make stronger efforts at child support for absent parents, tracking down parents who are not fulfilling their obligations from one end of the country to another, and extracting a financial contribution from their wages if they are unwilling to offer some help to their children voluntarily.

Finally, we may want to consider some sort of a wage subsidy to help fill the remaining poverty gap, because tax relief will not be enough.

Fourth, in the area of health care, I think we need to further uncouple health care for the poor from the vagaries and vicissitudes of our welfare system.

Congress last year took a very important step, making it possible for the States to bring into Medicaid some poor people who are screened out of AFDC, but I think we need to go beyond that, perhaps even mandating some coverage for some groups that are poor, but not categorically eligible.

Also, again, it is not all the job of Government. We need to come up with measures in the private sector to extend private health insurance, to encourage the formation of larger insurance groups and risk pools, particularly for small employers. In all these areas I am recommending a combination of public sector reforms and private sector initiatives.

Finally, the area of work. As I have indicated, we talk a lot more about it than we do about it. I think that we need to blend notions of obligations with a social support system. If there is one thing we are learning from those experiments that are being talked about at the State and local levels, it is that the ones that are successful, such as the ones you mentioned in your opening remarks, do have some work requirements, but they also invest in job readiness.

They recognize that a work requirement is only as good as the work readiness of the individual, and that may require some assistance with transportation, it may require some health care coverage, it may require in addition some child care assistance. These are good investments for society, if they get somebody up and running on a path or onto a rung of a job ladder. When we look at a program like WIN that the administration has proposed to kill, even though they want to have these State experiments that are funded by WIN, it strikes me as biting the hand that feeds you.

As a society, we have to make some modest investments. I think if we make those modest investments at the Federal and State Government levels and couple them with much more activity in the neighborhood groups and throughout the private sector, we can begin to put together a prevention strategy that might bring poverty down and then shore up that system for those who still remain poor with fair, adequate and equitable benefits.

Thank you.

Chairman **Ford**. Thank you very much, Mr. Meyer.

The subcommittee will now hear from Robert Fersh, executive director of the Food Research and Action Center.

After the final panelist has testified, the subcommittee will have questions.

STATEMENT OF ROBERT J. FERSH, EXECUTIVE DIRECTOR, FOOD RESEARCH AND ACTION CENTER

Mr. **Fersh**. Thank you, Mr. Chairman.

Let me say by way of introduction, the Food Research and Action Center is a nonprofit public interest group that engages in research, litigation, legislative activities, and works with a network of low-income people, advocacy groups, antihunger organizations, religious groups throughout the country. Our primary area of expertise is Federal food assistance programs.

My primary role today, along with Cindy Marano, is to present a document known as the "Welfare Reform Statement of Principles." FRAC, as we are known, was the main organizer of this statement, which was prepared by about 20 groups over a period of several months last fall. As of today, over 100 organizations, elected officials and prominent individuals have endorsed it, including former Secretaries of the Department of Health, Education, and Welfare, in the Eisenhower, Johnson, and Nixon administrations.

Representatives Matsui, Downey, and Kennelly of this subcommittee were among the bipartisan group of elected officials who endorsed the statement. A list of endorsing groups and individuals is attached to the statement, and I request that both documents be entered in the record.

I urge you to take a good look at the list. We are kind of proud of the broad array of groups coming together in this statement from across the main stream of American society, and I think that is the importance of what we present to you today. A copy of that statement of principles——

Chairman **Ford**. Without objection, the statement will be made a part of the record, the document.

Mr. **Fersh**. Thank you.

I would like to make clear that I do not speak today on behalf of all of those who support the document other than in presenting the statement itself. Any statements that go beyond the text of the document reflect only the views of those of us at the Food Research and Action Center.

The principles are intended to provide direction for the current national debate on welfare reform. This project was initiated in large part to demonstrate there is really a widely shared vision on how to improve the welfare system both among those with expertise on the subject and among others with a very deep concern about it.

By their very nature, the principles are limited because they are general. There are a variety of approaches that would be consistent with these principles. However, we think we make a very clear and strong statement about the general direction of where welfare reform ought to go, and I do believe in light of last night's State of the Union Address that it stands somewhat at odds with the direction that the President is putting forth.

Let me briefly go through the principles which will in part be elaborated upon by Cindy Marano. The first principle, No. 1, is persons who work should be rewarded for their efforts. They should receive income sufficient to support a family and access to necessary health care and child care. Barriers to employment of low-income persons should be eliminated.

This principle highlights the fact that the current welfare system not only often discourages work, but also places formidable barriers in the way of those who truly would prefer to work. I think that issue has probably been well explored by the witnesses, and Cindy, I am sure, will speak to that at some length.

Principle No. 2, job opportunities, job counseling, training, education, placement, and supportive services should be widely available as primary tools to prevent and overcome poverty.

This principle recognizes that welfare alone is not the proper tool to bring large numbers of low-income Americans out of poverty. It stresses the need for employment opportunities and services that are suited to the varying needs of the low-income population, thereby also recognizing the responsibility to work on the part of those who are able.

This principle recognizes that in fact the work ethic is alive and well among America's poor, thus suggesting that job opportunities and employment opportunities and training opportunities, more so than requirements, will be the most critical factor in increasing work force participation.

My own personal view is that the current welfare debate places too much emphasis on who must satisfy what work requirement. If enough slots are established to provide meaningful employment, training and education opportunities, this issue will become one of lesser importance.

I think the ET program and other programs throughout the country indicate people respond well to real opportunities when offered to improve their lives.

Above all, I would caution against moving forward with work requirements that attempt to be all inclusive and offer only superficial services. We face this now in the food stamp program, where there is an attempt to run as many people through the mill as possible under current regulations—regulations that I believe are somewhat at odds with the legislative intent enacted in the farm bill in 1985.

The end result of regulations such as those in the food stamp program is likely to be endless paper shuffling as the energies of the administering agencies are devoted to compliance and monitoring activities, rather than the provision of real services.

I would really like to hammer at this a little bit. At FRAC, which is a legal services back-up center, every day we get reports of people who fall through the cracks, and I think it is terribly important if we are going to set up a system that tries to reach as many people as possible that we make sure we really have services for them.

It is so easy to be out of compliance. Eventually some judgment has to be reached about every individual, and there are all sorts of technical problems and other real-life human circumstances that continually lead people to have difficulty dealing with the welfare system.

Already now we believe that all sorts of paperwork requirements are keeping, for instance, the food stamp program at a historic low in participation, when you consider what the poverty rate is and the unemployment rate is. If we add additional barriers to people whose lives are already very difficult, and complicated, who have oftentimes difficulty dealing with the system, we should do so with great caution.

I think this issue comes to a head for this subcommittee very much on the issue of what to do with mothers with children under the age of 6, which up to now has been pretty much a benchmark as to where we put requirements and offer options. As I say, up to now, basically we required very little, and frankly offered very little to mothers of younger children, or parents of younger children, for that matter.

Now many people are talking about major new comprehensive requirements. While I agree this is an appropriate target group, that you want to try to reach mothers before they have been out of the employment situation for a long time, I just want to urge as much sensitivity as possible. I urge as much as possible to offer programs that bring voluntary involvement of the individual, so they themselves have a stake in it. They have helped map their own future.

To the extent you go in with heavy-handed requirements and all your energies go into tracking and monitoring, you probably lose sight of the basic goal, which is really to help people out.

Principle No. 3, the Federal Government should assure minimum standards of living, including sufficient food, clothing, shelter and medical care to those in poverty. This principle emphasizes the need for humane levels of support for those who cannot work, are temporarily out of work, or are enrolled in training or education programs. For millions of Americans who fall upon hard times, the current level of benefits and services now provided through assistance programs falls far short of the poverty line.

Principle No. 4, additional investments should be made in programs proved successful in preventing future poverty and its ill effects. As you mentioned, Mr. Chairman, programs like WIC and Head Start and Job Corps and others, really are working and really deserve additional investment. So in addition to providing people with income maintenance, there needs to be a continuing investment in programs that help avert future poverty.

Principle No. 5, welfare policies should aid both one- and two-parent families in need. Existing child support laws should be more effectively enforced. I think this subcommittee has shown great leadership in attempting to gain passage of the unemployed parent program in the AFDC program. That is an essential piece of what this principle is about, that all families in America, whether they be one- or two-parent families, ought to be served and be provided with a safety net. Special problems that one-parent families have ought to be recognized as we develop social policies.

Principle No. 6, in achieving the objectives above, the Federal Government should maintain a strong presence, setting minimum benefit standards, providing adequate resources for effective programs, and supporting appropriate and effective State and local initiatives.

This principle stresses the tremendous importance of Federal leadership in serving the needs of the poor. Certainly the Federal Government cannot and should not provide for all needs. But if history is any guide, a strengthened Federal role is the surest possible way to have immediate positive impact on poverty in this country.

Contrary to popular belief, efforts to aid the poor do not dominate this Federal budget. Only about 11 percent of the Federal budget is devoted to programs that primarily serve low-income persons. This is a substantial investment, but certainly not one that is disproportionate to our national resources or our national conscience. We spend more on interest on the national debt than on low income programs.

If there is one principle that the 20 groups drafting these principles felt strongest about, I believe it is this principle, emphasizing the necessity of a strong Federal role. As our underlying document points out, there is a strong record of success among Federal programs like Social Security, Medicare, and Medicaid. Food stamps and WIC also have been particularly effective in serving their intended purposes.

Support for a continued and strengthened Federal role in alleviating poverty should not be mistinterpreted as a statement that only the Federal Government can alleviate poverty, or that the only creative and productive ideas to fight poverty must emanate from the Federal level. Surely such a view is shortsighted and ever counterproductive.

The key point is that the Federal Government must play a leadership role in providing resources and setting minimum standards so that all Americans are guaranteed a fundamental level of protection against the ravages of poverty. Levels of support should not vary widely due to disparities in local revenue bases or local attitudes toward the poor.

Experimentation and innovation can and should occur at the Federal, State, and local levels, but such experimentation should not be a substitute for immediate and appropriate actions at the Federal level to improve opportunities and relieve the pain experienced by tens of millions of Americans who live in poverty or near poverty status. We do know enough about the problem of poverty to proceed now with careful and humane Federal program improvements.

We at Food Research and Action Center are deeply concerned about the future direction of welfare reform. We hear this concern from our network of hundreds of State and local groups and individuals who work to alleviate hunger—government officials, community activists, religious groups, and emergency food providers. Our network and national studies tell us there unquestionably has been a major growth in poverty related hunger attributable in large part to the performance of the economy and across the board cutbacks in Federal assistance programs. I think it is terribly important to understand when it comes to problems like hunger, one should not simply look at Federal food assistance programs.

While much recent attention properly has been paid to large reductions in Federal food assistance programs, other factors have also served to diminish the resources that needy families have available for food. These factors include AFDC cutbacks, the failure of States to raise AFDC levels, increased recipient costs for public housing, reduced Medicaid services and increased Medicaid copayments, and reductions in the Low Income Home Energy Assistance Program.

Thus, in the context of welfare reform, there are several concrete steps that we particularly urge this subcommittee to undertake as measures that would have a substantial beneficial impact in reducing domestic hunger:

First, we urge the extension of the AFDC-UP program to all States, with changes that ease the current restrictions on its availability to two parent families.

Second, we urge that minimum Federal benefit standards be established for combined AFDC and food stamp benefits. Such minimum standards should approximate the Federal poverty line, to be phased in if necessary.

Third, the current financial disincentive for States to increase AFDC benefits should be removed. Right now, a $1 increase in AFDC benefits results in a 30-percent loss in food stamps. Since food stamp benefits are 100 percent Federal money, there is a natural hesitancy for States to raise AFDC levels. An adjustment in AFDC funding formulas could counteract this problem.

There are several other areas of coordination between Federal food assistance programs and programs in the subcommittee's jurisdiction, such as categorical eligibility of AFDC recipients for food stamps, coordination of AFDC and food stamp definitions, and the ability to apply for food stamps at Social Security offices, that concern us at Food Research and Action Center. We stand ready to assist the subcommittee on these issues.

Thank you for the opportunity to testify today. I hope you will find this testimony and any future aid we may offer helpful in enacting sensitive and humane reforms in our welfare system. Above all, I would urge you to assume that the vast majority of Americans are ready and willing to take steps to better their lives if only there are opportunities to do so.

[The statement and report referred to follow:]

STATEMENT OF ROBERT J. FERSH, EXECUTIVE DIRECTOR, FOOD RESEARCH AND ACTION CENTER

Good Morning. My name is Robert Fersh, and I am the executive director of the Food Research and Action Center here in Washington. FRAC, as we are commonly called, is an organization that works to alleviate hunger and poverty in the United States. We work on many different levels, but our particular area of expertise is federal food assistance programs.

My primary role today is to present a document known as the Welfare Reform Statement of Principles. FRAC was the main organizer of this statement, which was prepared by about 20 groups over a period of several months last fall. Once agreement was reached on the statement, it was widely circulated and released to the public on December 22, 1986. As of today, over 100 organizations, elected officials, and prominent individuals have endorsed it, including former Secretaries of the Department of Health, Education, and Welfare in the Eisenhower, Johnson and Nixon administrations. Representatives Matsui, Downey, and Kennelly of this subcommittee were among the bipartisan group of elected officials who endorsed the statement. A list of endorsing groups and individuals is attached to the statement, and I request that both documents be entered in the record.

I would like to make clear that, other than presenting the Statement of Principles, I do not speak today on behalf of all of those who support the document. Any statements that go beyond the text of the document reflect only the views of the Food Research and Action Center.

The principles are intended to provide direction for the current national debate on welfare reform. This document not only describes the basic nature of the poverty problem in the United States, but also provides fundamental guidelines by which to measure and evaluate the various welfare reform proposals that are currently emerging.

This project was initiated, in part, to demonstrate that there really is a widely shared vision on how to improve the welfare system—both among those with expertise on the subject and among others with a deep concern about it. By their very nature, principles are limited because they are general. There are a variety of approaches that would be consistent with these principles. However, we believe these principles make a clear, necessary and meaningful statement about the direction for reform.

Endorsers of the principles not only include various individuals and groups that have proposed or will propose specific welfare reform plans, but also many other organizations representing tens of millions of Americans. Thus, the strength of this document lies not only in what it says but in who is saying it.

I would now like to briefly walk through the principles.

I. Persons who work should be rewarded for their efforts. They should receive income sufficient to support a family and access to necessary health care and child care. Barriers to the employment of low-income persons should be eliminated:

This principle highlights the fact that the current welfare system not only often discourages work, but also places formidable barriers in the way of those who truly would prefer to work. Until such time that those who work can be reasonably assured of health coverage for their families, adequate care for their children and income sufficient to meet minimum family needs, progress in increasing the employment of low income persons will be impeded. On this principle, as well as principles II and IV, my co-witness Cindy Marano will provide elaboration.

II. Job opportunities, job counseling, training, education, placement and supportive services should be widely available as primary tools to prevent and overcome poverty:

This principle recognizes that welfare alone is not the proper tool to bring large numbers of low income Americans out of poverty. It stresses the need for employment opportunities and services that are suited to the varying needs of the low income population, thereby also recognizing the responsibility to work on the part of those who are able. The poor are not monolithic and no single uniform approach to increasing employment among them is likely to work. This principle also recognizes that the work ethic is alive and well among America's poor, thus suggesting that job opportunities, more than requirements, will be the most critical factor in increasing work force participation.

My own personal view is that the current welfare debate places too much emphasis on who must satisfy what work requirement. If enough slots are established to provide meaningful employment, training and education opportunities, this issue will become one of lesser importance. People respond well to real opportunities to improve their lives. Above all, I would caution against moving forward with work requirements that attempt to be all-inclusive and offer only superficial services. We face this now in the Food Stamp Program. The end result is likely to be endless paper shuffling, as the energies of the administering agencies are devoted to compliance and monitoring activities, rather than the provision of real services.

III. The Federal Government should assure a minimum standard of living—including sufficient food, clothing, shelter and medical care—to those in poverty:

This principle emphasizes the need for humane levels of support for those who cannot work, are temporarily out of work, or are enrolled in training or education programs. For millions of Americans who fall upon hard times, the current level of benefits and services now provided through assistance programs falls far short of the poverty line. According to a September 1986 report released by the Department of Health and Human Services, federal means-tested programs are "targeted effectively." Eighty-six percent of cash and in-kind benefits go to households that are poor before receiving government assistance. Now we must assure a greater measure of adequacy.

IV. Additional investments should be made in programs proved successful in preventing future poverty and its ill effects:

This principle reminds us that there are a variety of programs already in place which are invaluable investments in preventing poverty. Providing cash instead of these programs is unlikely to lead to the long-term benefits the programs provide. Further investments in such programs—like Head Start, WIC, Chapter I and Job Corps—are likely to prove cost-effective in the long run.

V. Welfare policies should aid both one- and two-parent families in need. Existing child support laws should be more effectively enforced.

This principle emphasizes the importance of the family and individuals' obligations to support their families. Cash welfare is unavailable to two-partent families in about half the states and its availability is greatly limited in most other states. This situation simply cannot serve to strengthen American families. Special circumstances and difficulties of one-parent families must be recognized if anti-poverty efforts on behalf of these families are to be successful.

VI. In achieving the objective above, the Federal Government should maintain a strong presence, setting minimum benefit standards, providing adequate resources for effective programs, and supporting appropriate and effective state and local initiatives:

This principle stresses the tremendous importance of federal leadership in serving the needs of the poor. Certainly, the federal government cannot and should not provide for all needs. But if history is any guide, a strengthened federal role is the surest possible way to have immediate positive impact on poverty in this country.

Contrary to popular belief, efforts to aid the poor do not dominate the federal budget. Only about 11 percent of the federal budget is devoted to programs that primarily serve low income persons. This is a substantial investment, but certainly not one that is disproportionate to our national resources or our national conscience. We spend more on interest on the national debt than on low income programs.

If there is one principle that the 200 groups drafting these principles felt strongest about, I believe it is this principle emphasizing the necessity of a strong federal role. As our underlying document points out, there is a strong record of success among federal programs in alleviating the extent and degree of poverty in this country. Few would dispute the effectiveness of Social Security and Supplemental Security Income in diminishing poverty among their target population. A strong case can be made that programs like Medicare, Medicaid, Food Stamps and WIC also have been particularly effective in serving their intended purposes.

Support for a continued and strengthened federal role in alleviating poverty should not be misinterpreted as a statement that only the federal government can alleviate poverty, or that the only creative and productive ideas to fight poverty must emanate from the federal level. Surely such a view is shortsighted and even counter-productive.

The key point is that the federal government must play a leadership role in providing resources and setting minimum standards so that all Americans are guaranteed a fundamental level of protection against the ravages of poverty. Levels of support should not vary widely due to disparities in local revenue bases or local attitudes toward the poor.

Experimentation and innovation can and should occur at the federal, state and local levels, but such experimentation should not be a substitute for immediate and appropriate actions at the federal level to improve opportunities and relieve the pain experienced by tens of millions of Americans who live in poverty or near poverty status. We do know enough about the problem of poverty to proceed now with careful and humane federal program improvements.

We at FRAC are deeply concerned about the future direction of welfare reform. We hear this concern from our network of hundreds of state and local groups and individuals who work to alleviate hunger: government officials, community activists, religious groups, and emergency food providers. Our network and national studies tell us there unquestionably has been a major growth in poverty-related hunger attributable in large part to the performance of the economy and across-the-board cutbacks in federal assistance programs.

While much recent attention properly has been paid to large reduction in federal food assistance programs, other factors have also served to diminish the resources that needy families have available for food. These factors include AFDC cutbacks, the failure of states to raise AFDC levels, increased recipient costs for public housing, reduced Medicaid services and increased Medicaid co-payments, and reductions in the Low Income Home Energy Assistance Program.

Thus, in the context of welfare reform, there are several concrete steps that we particularly urge this subcommittee to undertake as measures that would have a substantial beneficial impact in reducing domestic hunger:

(1) We urge the extension of the AFDC-UP program to all states, with changes that ease the current restrictions on its availability to two-parent families.

(2) We urge that minimum federal benefit standards be established for combined AFDC and food stamp benefits. Such minimum standards should approximate the federal poverty line, to be phased in if necessary.

(3) The current financial disincentive for states to increase AFDC benefits should be removed. Right now, a $1 increase in AFDC benefits results in a 30 cent loss in food stamps. Since food stamp benefits are 100 percent federal money, there is a natural hesitancy for states to raise AFDC levels. An adjustment in AFDC funding formulas could counteract this problem.

There are several other areas of coordination between federal food assistance programs and programs in the Subcommittee's jurisdiction—such as categorical eligibility of AFDC recipients for food stamps, coordination of AFDC and food stamp definitions, and the ability to apply for food stamps at Social Security Offices—that concern us at FRAC. We stand ready to assist the Subcommittee on these issues.

Thank you for the opportunity to testify today. I hope you will find this testimony and any future aid we may offer helpful in enacting sensitive and humane reforms in our welfare system. Above all, I would urge you to assume that the vast majority of Americans are ready and willing to take steps to better their lives if only there are opportunities to do so.

December 22, 1986

Welfare Reform
Statement of Principles

Increasing poverty and disadvantage in our affluent society is cause for national concern. The fact that one of every seven Americans lives below the official poverty threshold is unacceptable, especially when 40% of these persons are children. In recent years, we have witnessed a widening gap between the advantaged and the disadvantaged in this country and a widening chasm between the futures facing their two sets of children.

Alleviating poverty historically has been, and continues to be, a primary responsibility of the federal government. Poverty, in large part, stems from national and international policies and macroeconomic trends. Without federal help, regions that suffer economic decline are often unable to muster the resources necessary to ensure that their citizens have the support and services they require. The federal government, through strong civil rights laws, has also been able to assist those in poverty without regard to race, religion, or handicap. For all these reasons, it is important that the federal government 1) improve upon, not retreat from, its previous record of developing programs and, 2) provide resources adequate to address the needs of the poor.

Universal social insurance programs, such as Social Security and unemployment compensation, provide minimum protection against poverty for millions of Americans. Yet millions more are either not served by these programs or receive benefits or support services that fall short of what would bring them out of poverty. This leaves a large role for the residual programs known as the welfare system.

The principles that follow are meant to shape and guide the national debate on the welfare reform issue. They are neither intended to address all of the shortcomings of the current welfare system nor to establish a specific plan to alleviate poverty and its attendant effects for all elements of the American population. Many additional ideas are necessary to build on the concepts presented here and provide a comprehensive solution to the problem of poverty in America. It is hoped that these principles will establish the fundamental direction for future welfare reform efforts, and that any reforms enacted in the coming months will be consistent with these principles.

The principles are:

I. PERSONS WHO WORK SHOULD BE REWARDED FOR THEIR EFFORTS. THEY SHOULD RECEIVE INCOME SUFFICIENT TO SUPPORT A FAMILY AND ACCESS TO NECESSARY HEALTH CARE AND CHILD CARE. BARRIERS TO THE EMPLOYMENT OF LOW INCOME PERSONS SHOULD BE ELIMINATED.

II. JOB OPPORTUNITIES, JOB COUNSELING, TRAINING, EDUCATION, PLACEMENT, AND SUPPORTIVE SERVICES SHOULD BE WIDELY AVAILABLE AS PRIMARY TOOLS TO PREVENT AND OVERCOME POVERTY.

III. THE FEDERAL GOVERNMENT SHOULD ASSURE A MINIMUM STANDARD OF LIVING – INCLUDING SUFFICIENT FOOD, CLOTHING, SHELTER AND MEDICAL CARE – TO THOSE IN POVERTY.

IV. ADDITIONAL INVESTMENTS SHOULD BE MADE IN PROGRAMS PROVED SUCCESSFUL IN PREVENTING FUTURE POVERTY AND ITS ILL EFFECTS.

V. WELFARE POLICIES SHOULD AID BOTH ONE-AND TWO-PARENT FAMILIES IN NEED. EXISTING CHILD SUPPORT LAWS SHOULD BE MORE EFFECTIVELY ENFORCED.

VI. IN ACHIEVING THE OBJECTIVES ABOVE, THE FEDERAL GOVERNMENT SHOULD MAINTAIN A STRONG PRESENCE, SETTING MINIMUM BENEFIT STANDARDS, PROVIDING ADEQUATE RESOURCES FOR EFFECTIVE PROGRAMS, AND SUPPORTING APPROPRIATE AND EFFECTIVE STATE AND LOCAL INITIATIVES.

I. PERSONS WHO WORK SHOULD RECEIVE INCOME SUFFICIENT TO SUPPORT A FAMILY AND ACCESS TO NECESSARY HEALTH CARE AND CHILD CARE. BARRIERS TO THE EMPLOYMENT OF LOW INCOME PERSONS SHOULD BE ELIMINATED.

Despite the difficulties they encounter in the labor market, most welfare recipients want the chance to work to support themselves and their families. While welfare benefits are low — far below the poverty line in most states — the employment opportunities available to most recipients often lead to little economic gain and to marginal employment. Several factors account for this.

Most recipients of public assistance face a complete loss of income assistance, medical benefits and support services (and a partial loss of food stamps), within a few months of taking full-time employment, regardless of the level of wages and benefits attached to the job. Since the recipient may also face high work-related expenses such as child or dependent care, transportation, and payroll taxes, the financial rewards of the job are often low or non-existent. Accepting such work can place the security and health of a breadwinner's family in jeopardy.

A substantial part of the problem is that wages for entry level jobs are too low to support a family. A full-time minimum wage job today provides earnings of less than 65% of the poverty level for a family of four. The minimum wage has been frozen since 1981, losing 25% in purchasing power since that time. In addition, many jobs are becoming less than full time, further reducing the wages and benefits available to support the worker and his/her family.

The recent upward trend in the number of persons without health insurance is also a major part of the problem. More than half of all uninsured adults in 1984 were employed full-time or part-time.

THEREFORE: Working families receiving income insufficient to support themselves and their children should receive tax relief, higher wages and/or wage supplements, and assurances of subsidized child care, continuing medical coverage, and other support services, until economic independence is established. This can be achieved by strengthening the work incentive features — including transitional health care and child care — within major welfare programs, expanding the Earned Income Tax Credit and adjusting it by family size, increasing the minimum wage, or a combination of these and other approaches.

II. JOB OPPORTUNITIES, JOB COUNSELING, TRAINING, EDUCATION, PLACEMENT, AND SUPPORTIVE SERVICES SHOULD BE WIDELY AVAILABLE AS PRIMARY TOOLS TO PREVENT AND OVERCOME POVERTY.

Economic conditions often prevent welfare recipients from finding and retaining employment in many areas of the country. While public assistance recipients want to work, a dearth of available and accessible jobs, continuing discrimination in employment, and a mismatch between skills required by employers and those held by low income people stand in the way. Women, minorities, and persons with disabilites are especially likely to receive lower wages and have fewer employment opportunities available to them.

The poor are not monolithic. They have varying levels of skill, education, self-esteem, and knowledge of the job market, and they face varied barriers to employment. Some have physical or mental disabilities.

In designing employment-related programs for welfare recipients, the varying needs, circumstances, and characteristics of the population must be recognized. Some recipients need help finding a job; others need comprehensive job counseling, self-esteem building, and/or literacy assistance before they will be job ready. Some need skills training, on-the-job training, and comprehensive supportive services in order to prepare for paid employment. Disabled recipients may need special support services in the home or at work in order to be productive employees. In many jurisdictions, more jobs need to be created. For still other recipients, a long-term commitment to basic education, skills training, and supportive services may be required before a job and economic independence are feasible goals.

Programs should be established which recognize and support the dignity of the individual. Low income persons should be afforded maximum opportunity to determine whether and how they will participate in programs designed to enhance their employability and future self-sufficiency. Programs that promote self-determination have proved effective.

THEREFORE: Welfare reform initiatives must begin with an investment in people and an expansion of job opportunities. Programs available to welfare recipients should offer a menu of job counseling, training, education and literacy assistance, job creation, job placement, and supportive services designed to match the needs of the individuals targeted for service. Any subsidized work opportunities offered to recipients should provide pay, benefits, and rights equal to those afforded other employees performing similar work. Subsidized jobs should not result in the displacement of existing workers or in lower wages and benefits for them. States and localities should have flexibility to design programs which relate to the local labor market and characteristics of local recipients, but there should be federal safeguards to ensure adequate services. Programs which expand services available to people through coordination of government programs, private sector investment, and utilization of community organizations should be encouraged.

III. THE FEDERAL GOVERNMENT SHOULD ASSURE A MINIMUM STANDARD OF LIVING, INCLUDING SUFFICIENT FOOD, CLOTHING, SHELTER AND MEDICAL CARE, TO THOSE IN POVERTY.

Children comprise a disproportionate share of America's poor. About 13 million children, or one in five, lived below the poverty line in 1985. This is not only morally indefensible, but it also exacts a high price from society in health care and remedial education costs, as well as increased crime and loss of productivity. Especially among younger children, poverty can result in impairments for which a society must pay over the child's lifetime.

Income assistance levels for children and their families vary widely in the United States and have fallen off sharply in recent years. While some states provide aid twice that of others, most provide basic income maintenance payments at levels far below the poverty line. The substantial disparities in the levels of benefits available throughout the country are not justified by the variation in living standards. Low benefits in many states undoubtedly cause hardship — in terms of hunger and homelessness — in these areas.

The income safety net program for the elderly and disabled, Supplemental Security Income Program (SSI), also provides inadequate assistance. Benefit levels for those living alone approximate three-fourths of the poverty line. Only half the states provide any supplementation, averaging a mere $36 per month. In addition, resource eligibility standards have been eroded due to inflation since the program's inception.

As a result, millions of low-income elders and disabled persons do not qualify for SSI and, therefore, also do not receive health insurance through Medicaid. Their chronic poverty and inability to pursue employment opportunities warrant enhanced public benefits and employment assistance.

THEREFORE: Coupled with strategies to reduce poverty through increased employment, adequate incomes must be provided for those who cannot work, are temporarily out of work, or are enrolled in training or education programs. A minimum standard of income assistance should be established for all children and their families, including those with two parents. Assistance standards for the elderly and disabled should be improved. And health benefits should be available to all with incomes below the poverty line.

IV. ADDITIONAL INVESTMENTS SHOULD BE MADE IN PROGRAMS PROVEN SUCCESSFUL IN PREVENTING FUTURE POVERTY AND ITS ILL EFFECTS.

An effective and appropriate way to reduce future poverty and its costs to society is to invest in preventive programs aimed at children and youth. WIC (the Special Supplemental Food Program for Women, Infants and Children), Head Start, Chapter I, and Job Corps are among the federal programs that have proved effective in improving the health and earning potential of tomorrow's adults. Such programs also reduce the need for later remedial attention, whether it be in the schools, hospitals or criminal justice system. Yet such preventive programs fail to reach large proportions of their target populations.

THEREFORE: Additional investments should be made in preventive programs that provide children and youth with a better chance of escaping poverty. Funding for programs of proven effectiveness, such as WIC, Head Start, Chapter I, Job Corps and others, should be extended to provide access to all eligible children.

V. WELFARE POLICIES SHOULD AID BOTH ONE-AND TWO-PARENT FAMILIES IN NEED. EXISTING CHILD SUPPORT LAWS SHOULD BE MORE EFFECTIVELY ENFORCED.

Some poor families in America are maintained by mothers alone and others by two parents, one or both of whom are experiencing unemployment, disability, or economic disadvantage. Welfare policies need to be designed to meet the needs of all variations of family life without stigma or preference.

In many states, social policies do not adequately accommodate the dual responsibilities of the single parent. Training and employment policies and programs effectively bar access to single parents by failing to address their needs for child care, transportation, and long-term income support.

In about half the states, most two-parent families cannot receive Aid to Families with Dependent Children, and in the remaining states availability of aid to two-parent unemployed families is greatly limited. Such policies discriminate against two-parent families.

Efforts to enforce support of children by absent parents have increased in recent years, but much more can be done in this area. In 1983, only about 58 percent of women potentially eligible for child support were awarded payments; of these, only half received the full amount due and one-fourth received nothing. Thus, efforts to expand support awards and increase collection of child support payments can be critical elements in alleviating poverty.

THEREFORE: Coverage of two-parent families under Aid to Families with Dependent Children should be required in all states and eligibility restrictions should be eased. Greater responsiveness to the special needs of one-parent families should be emphasized, especially in employment and training programs and child and dependent care services. There should also be more effective implementation of current child support requirements.

VI. IN ACHIEVING THE OBJECTIVES ABOVE, THE FEDERAL GOVERNMENT SHOULD MAINTAIN A STRONG PRESENCE, SETTING MINIMUM BENEFIT STANDARDS, PROVIDING ADEQUATE RESOURCES FOR EFFECTIVE PROGRAMS, AND SUPPORTING APPROPRIATE AND EFFECTIVE STATE AND LOCAL INITIATIVES.

The federal government must retain a central role in caring for America's poor if efforts to increase their self-sufficiency and reduce their reliance on welfare are to be successful. Progress over the past 25 years in alleviating poverty, increasing life expectancy, and reducing infant mortality is directly connected to the strong presence of the federal government through a variety of social programs and policies. Any welfare reform efforts should build on and improve the current system, not diminish it.

Twenty-five years ago, our nation's elderly were three times more likely to be poor than the rest of the population. Today this disparity has been eliminated, although certain subgroups of the elderly — women, minorities and persons over 85 — remain at dire economic risk. The maturation and expansion of benefits in Social Security is largely responsible for this decline in poverty among the aged. In addition, the fact that the SSI program has a federal minimum benefit level which is annually updated for inflation helps ensure that the elderly poor do not fall more deeply into poverty each year. A similar approach for children and their families would significantly reduce the extent of poverty among them.

Levels of assistance to destitute Americans should not vary dramatically due to disparities in local revenue bases or local prejudices about the poor. Oftentimes, national economic forces create high unemployment and increased poverty in particular geographic areas. At a time when these areas face the greatest demand for help, they may be least able to provide it. It is important for the federal government to establish funding mechanisms and benefit standards to assure that all Americans in need receive minimum, adequate benefits. Better coordination of federal programs should occur and changes should be made to increase access and reduce administrative burdens on participants and administrators.

Great care should be taken not to weaken or undermine this federal commitment by consolidating, or "cashing out" programs. It is widely acknowledged that such in-kind assistance as subsidized housing and medical care cannot be purchased on the open market by persons with incomes at or near the poverty line. Furthermore, recent experience has shown that program consolidation, as in the education and job-training block grants, tends to reduce federal financial support for low-income programs that are already underfunded. In all of these areas, such as child care and nutrition, and others of importance to disadvantaged persons, program elimination or consolidation would have an extremely adverse impact on low income individuals and families.

THEREFORE: Reforms are needed that build on and strengthen the current federal/state partnership in funding and administering the welfare system. A strong federal presence is needed to provide minimally adequate benefits and a sufficient revenue source to assure that all needy Americans have access to adequate food, clothing, shelter, health care and employment opportunity. The history of state and local efforts in providing for the poor, including current disparities in performance, require that a strong federal role be maintained in anti-poverty efforts.

The following groups and individuals have endorsed the Statement of Principles on Welfare Reform. While each endorser may differ on the specifics of this document, all generally agree with the principles set forth in it.

American Association of Mental Deficiency

American Association of Retired Persons

American Baptist Churches

American Jewish Committee

American Jewish Congress

American Public Health Association

Americans for Democratic Action

Arizona Coalition for Human Services

Association of Community Organizations for Reform Now (ACORN)

Bruce Babbitt, Governor of Arizona

Robert M. Ball, Former Commissioner, U.S. Social Security Administration

Bill Bolling, Director, Atlanta Community Food Bank

Bread for the World

Catholic Charities, USA

U.S. Catholic Conference

Center on Budget and Policy Priorities

Center for Law and Social Policy

Child Care Law Center

Child Welfare League of America

Children's Defense Fund

Children's Foundation

Christian Church (Disciples of Christ)

Church of the Brethren

Church Women United

Wilbur Cohen, Former Secretary, U.S. Department of Health, Education and Welfare

Commission on Social Action of Reformed Judaism

Connecticut Association for Human Services

Consumers Union of U.S.

Diocese of the Armenian Church

Disability Rights, Education and Defense Fund
U.S. Rep. Thomas Downey
Peter Edelman, Georgetown University Law Center
Epilepsy Foundation of America
Robert H. Finch, Former Secretary, U.S. Department of Health, Education and Welfare
Dr. Arthur Flemming, Former Secretary, U.S. Department of Health, Education and Welfare
Raymond L. Flynn, Mayor of Boston
Florida Impact
Food Justice Programs
Food Research and Action Center (FRAC)
Friends Committee on National Legislation
U.S. Rep. Richard Gephardt
Gray Panthers
U.S. Rep. Gus Hawkins
Hunger Action Center
In Our Own Way
Interfaith Action for Economic Justice
Jesuit Social Ministries
Jewish Federation of Metropolitan Chicago
Jobs With Peace Campaign
Barbara Jordan, Lyndon B. Johnson Centennial Chair in National Policy, LBJ School of Public Policy
U.S. Rep. Barbara Kennelly
Kentucky Task Force on Hunger
League of Women Voters
U.S. Rep. Mickey Leland
U.S. Rep. Sander Levin
Dr. Michael Lipsky, Professor of Political Science, Massachusetts Institute of Technology
Lutheran Family and Children's Services of Missouri
Maryland Food Committee
U.S. Rep. Robert Matsui
Mennonite Central Committee, U.S. — Peace Section, Washington Office
Michigan Welfare Rights Organization

Mid-West Women's Center, Chicago, IL
U.S. Rep. George Miller
NAACP Legal Defense and Educational Fund, Inc.
National Association of Protection and Advocacy Systems, Inc.
National Association of Social Workers
National Center for Policy Alternatives
National Commission on Working Women
National Consumers League
National Council of Catholic Women
National Council of Churches
National Council of Senior Citizens
National Farmers Union
National League of Cities
National Organization of Legal Services Workers, District 65, U.A.W.
National Progressive Baptist Convention
National Urban League, Inc.
National Women's Law Center
National Women's Political Caucus
North Dakota Client's Council
Bill O'Hare, Joint Center for Political Studies
Manfred Ohrenstein, New York State Senate Minority Leader
Opportunities Industrialization Centers of America, Inc.
U.S. Rep. Leon Panetta
Parents Without Partners
Hon. Justine Wise Polier
Presbyterian Church, Washington Office
Reformed Church in America
Tom Rhodenbaugh, Director, U.S. Programs for Save the Children
Statewide Emergency Network for Social and Economic Security, New York State
Jule Sugarman, Secretary, Washington State Department of Social & Health Services
United Auto Workers
United Food and Commercial Workers International Union
Villers Advocacy Associates
U.S. Sen. Lowell Weicker
Elizabeth Wickenden, Director, Study Group on Social Security
Wider Opportunities For Women
Women and Poverty Project
Charles Woods, Director, Tucson Community Food Bank
World Hunger Year
YWCA National Board

Chairman **Ford**. Thank you very much.

The Chair will recognize Cindy Marano at this time.

STATEMENT OF CYNTHIA MARANO, EXECUTIVE DIRECTOR, WIDER OPPORTUNITIES FOR WOMEN

Ms. **Marano**. Good afternoon, Chairman Ford, and other members of the subcommittee. I am going to discuss in greater length two of the principles that were developed in the statement of principles that Rob has been discussing with you.

I speak first as a member of the coalition, but also from my experience with Wider Opportunities for Women, a national nonprofit organization, specializing in the employment and training of women. WOW has spent more than 20 years developing and perfecting employment, education, training, and job-related strategies to improve the economic status of women and their families. Since so many welfare recipients across the United States are female, we believe that this experience stands us in good stead in recommending both principles and programs for you to consider in welfare reform discussions in the 100th Congress.

WOW has initiated a second coalition of organizations—the National Coalition on Women, Work, and Welfare Reform—which will be bringing a proposal on welfare reform to the members of the committee in the next several weeks. That coalition, which represents 30 national groups, has also prepared "Perspectives for Women and Welfare Employment," a document outlining recommendations to policymakers and advocates on the development of employment initiatives for welfare recipients. Copies have been distributed with my testimony to each member of the committee.

Two principles I will discuss today are:

One, persons who work should be rewarded for their efforts. They should receive income sufficient to support a family and access to necessary health care and child care. Barriers to the employment of low-income persons should be eliminated.

Two, job opportunities, job counseling, training, education, placement, and supportive services should be widely available as primary tools to prevent and overcome poverty.

Despite the barriers they encounter in the labor market, most welfare recipients want the chance to work to support themselves and their families. This has been documented repeatedly in studies like that undertaken by the Coalition on Human Needs, by the field hearings held by the President's task force, and by experiments in States like Massachusetts and Maine. Yet no recipient should be asked to take employment which results in a loss of income or economic security for her or his family.

We believe that any initiatives you consider must tackle this difficult problem directly, providing paths out of poverty which will result in a financial benefit to welfare recipients and their families. We contend that the current income and basic benefits systems do not provide economic security and that welfare employment initiatives must be designed to ensure both adequate basic needs and pathways for achieving economic independence and security in the long term.

Elimination of recipients from the welfare rolls alone is not an appropriate standard of performance for a welfare employment program. The preparation and placement of recipients in permanent private and public sector jobs with decent wages and benefits are appropriate activities for a publicly funded welfare employment program and are worthy of considerable Federal investment.

Some would recommend that the way to achieve this might be to reduce benefits as a way of stimulating recipients to enter training or jobs. The coalition rejects this concept as both inhumane and economically shortsighted.

We ask that you design a program which will improve the economic prospects for welfare recipients and their families. There are several avenues you might consider in this regard:

A guarantee of livable benefits for those who cannot work immediately; improvement of the wages of entry level jobs through raising the minimum wage; recognition of AFDC provisions which allow welfare recipients to start businesses; provision of adequate funding so that the necessary supportive services can be provided so that recipients can be trained or find employment; investment in education and training for jobs which can support the recipient and his or her family; and transition services which continue welfare benefits into the first year of employment so that recipients will not risk family security in taking jobs.

Any new system designed should also provide adequate funding to States to coordinate with current programs and to provide training for employees involved in administering the program. Certainly the kind of case management approach that we heard about before would be very helpful. Currently, a barrier to the self-sufficiency of recipients is the host of mixed messages they receive in the complex of programs they must untangle in order to enter training or job assistance programs. Many are told that their benefits will be reduced or eliminated if they enroll for training or education. This is the sort of barrier we must eliminate.

As you design new welfare employment initiatives, other principles must come into play. Since recipients are a very varied population, the menu of services offered must be similarly varied and individualized. The kinds of services offered will also be affected by geographic and economic factors. States will have to have the flexibility to design the appropriate mix of services, with standards of appropriate services defined federally.

Some recipients will only need help locating a job and marketing their well developed skills. Others, who have never worked for pay, have been out of the labor market longer, or whose skills are obsolete, may need job counseling, skills assessment, skills training, educational and literacy assistance, supportive services, job placement help and other services in order to get economically sustaining work. Still others may not be ready for training or a job. They may face physical disabilities, family crises, dependent care responsibilities, transportation barriers, which are unmet by public systems, and other obstacles which mean that job placement or job preparation is not immediately appropriate or would require a longer term planning process.

In some locales support services are in such scarcity that recipients cannot find the child care, housing, food, nutrition, or health care to concentrate on gettifg a job or enterifg training. Recipients cannot be penalized for these conditions. Nor can we overlook them in our enthusiasm for creating self-sufficiency.

What you must consider in designing new welfare employment programs is what we have learned from our past experience in designing education and employment programs. We know, for example, what CETA cost and how it performed. We know the cost of JTPA services and the common critique of how JTPA has "creamed" to serve the most job ready. As a nation, we have extensive experience with the development of employment training programs for welfare recipients. A quick rundown of what we know lays out your agenda for the future:

Good job training and good job development are not inexpensive. Providing quality services targeted for those who need them most is more expensive than providing minimally helpful services to a large number of people who may or may not benefit. Universal, minimally helpful services have not, however, been demonstrated to have a significant impact in achieving long term economic independence among welfare recipients.

Quality services for those public assistance recipients who wish to participate or are ready for education, training, or employment will require a substantial public investment—probably at a total cost more than the average JTPA per participant cost of $3,000 to $4,000. Massachusetts' ET choices program reports a $3,800 cost per participant in a State with fairly low unemployment, with the participation of 30,000 welfare recipients over a 3-year period.

Targeting services which are appropriate to individual recipients requires a funded assessment process for those who are to be served. Under many current programs, recipients are simply assigned to available training, placement, or education slots bearing little relevance to their skills, educational needs, local labor market realities, or career interests. We maintain that this is a waste of money. Individualized assessment would avoid this waste of resources. But assessment also adds to the cost of services and must be considered part of the program offered.

An experience encountered in Fresno, Calif., demonstrates why. Fresno planners for the GAIN program estimated that program participants would move swiftly through job search, short-term training, and into a job. In the initial skills testing program offered at program startup, more than 60 percent of eligible participants had reading and math skills below the 8th grade level. The program had to be redesigned and program standards readjusted. But funding based on earlier assumptions had already been dispersed.

Supportive services like child care, transportation, remediation, English as a second language, and emergency assistance are critical in maintaining access to employment and training or education services for welfare recipients. These services are capped under JTPA at a cost of no more than 15 percent of States allocations. Many States have spent only 10 percent on these services, but this is for a population which includes other target populations for which support services may be less needed.

In States which planned or promised these services to recipients enrolled in welfare employment programs, costs are substantially higher, sometimes reaching 50 percent of the cost of training. In many areas, these services are not available in large enough numbers for those currently enrolled in training and education programs. Long waiting lists now preclude access to available training. To provide these services for all welfare recipients who volunteer to enter training or employment programs would require investment in greatly expanded services. Certainly, the investment would be worth the cost.

Finally, job development and job creating efforts must be built into any new Federal welfare employment initiative. As has been learned in Massachusetts, where unemployment has been low, marketing of welfare unemployment program graduates to the State's employers has been a critical aspect of the program. With higher unemployment, these services are even more necessary. Employers are not standing in line to hire economically disadvantaged clients and/or welfare recipients with little work experience in locales where experienced and highly skilled workers are having difficulty finding jobs.

Marketing work with employers, aggressive job development, incentives for employers and tie-ins with the State and local economic development process are necessary and will pay off. The ET choices program has involved 8,000 employers in the hiring of program graduates. But, such marketing and development components also add to the cost of a quality program.

In summary, I urge you to consider what a quality education, employment, and training program costs. This is the part of the program needed by those welfare recipients ready to prepare for long term self-sufficiency. Such a program would be an investment. It would be coupled with other policy actions ensuring adequate minimum supports for those not ready for or unable to work, improved entry wages, and strengthened child support enforcement. It would offer states the chance to design programs which match the needs of their population and their economies. To provide less or to talk about cost savings is to ignore the employment and training lessons of the past and the realities of life of the poor in America. We encourage a more positive investment approach. Evidence shows that such an approach can be successful and can result in economic independence for welfare families. Such an approach now would be worthy of the term "welfare reform."

Thank you.

[An attachment to the prepared statement follows:]

PERSPECTIVES ON WOMEN AND WELFARE EMPLOYMENT

A publication of the National Coalition on Women,
Work and Welfare Reform
August, 1986

This publication represents the collective perspectives and work of the following coalition members:

American Friends Service Committee
Children's Defense Fund
Church Women United
Corporation for Enterprise Development
Displaced Homemakers Network
Federally Employed Women
The Friends Committee on National Legislation
The Mexican American Legal Defense and Education Fund
National Commission on Working Women
The National Conference of Puerto Rican Women, Inc.
The National Women's Law Center
United Church of Christ, Office for Church in Society
Network: A Catholic Social Justice Lobby
Wider Opportunities for Women
The Women and Poverty Project
The Women's Equity Action League
YWCA of the U.S.A., National Board

PERSPECTIVES ON WOMEN AND WELFARE EMPLOYMENT

I. Introduction

The National Coalition on Women, Work, and Welfare Reform was formed in 1985 to address the emergence of new state and federal welfare employment initiatives. The Coalition represents national organizations concerned about the impact of AFDC work programs and their requirements upon women and their families. The list of member groups appears on the cover of this publication. As a group, the Coalition works to achieve state and national welfare policies which promote the economic independence of public assistance recipients while retaining a high degree of choice, flexibility, and respect for personal employment goals.

The Coalition spent its first six months assessing a number of welfare employment initiatives being piloted in the states and reflecting upon the analyses available on these programs. During 1986-87, the Coalition will monitor the development of new state efforts; provide public information to administrators, advocates, the press, and policymakers at the state and national levels on welfare employment initiatives; monitor and analyze Administration welfare proposals; and involve the local affiliates of involved national organizations in policymaking and program monitoring processes on the welfare employment issue.

Purpose of the Paper

This first Coalition publication has been developed to alert local and state advocates to the presence of the Coalition, to share the perspective of the Coalition on the welfare employment issue, and to put forward several initial strategies local advocates or policymakers might use in considering proposed or ongoing welfare employment initiatives. A list of additional resources on the issue are offered at the close of this publication, along with a list of groups and individuals with expertise and interest in welfare employment issues. Many of the Coalition's member organizations have developed and are developing additional resource materials on aspects of the employment of low-income and welfare women.

The Coalition believes it is important for advocates and policymakers at the local, state, and national levels to participate in the welfare employment policy debate. Those who advocate for women, for full employment, and for civil and welfare rights have an important role to play in the development of these policies. It is the role of these groups working together to ensure that poor women retain the options for meaningful and financially rewarding employment, for work at home caring for children, or for full-time education to prepare for economic self-sufficiency. For many low-income women, these options are being limited, restricted, or foreclosed by punitive workfare policies. In other locales, the traditional workfare concept has been transformed to mean the development of a full complement of services designed to protect and support a recipient's options and invest in her preparation for economic independence. In a climate of intense policy activity -- varying greatly from state to state with regard to quality, comprehensiveness, and cost -- communication, clarity, and committed effort will be necessary to ensure effective services for welfare women.

This paper is designed to put forward our perspective and to serve as a point of contact with others interested in affecting welfare-to-work policy. We welcome the comments, critical and and supportive, of colleague groups and individuals working in this field.

II. WHAT WE KNOW ABOUT WORK AND WELFARE

1) Families turn to AFDC for many reasons.

The majority of families begin receiving AFDC because of a change in family structure--divorce, separation, desertion of a parent, death of a parent, or birth of a child. Others turn to AFDC for support because they lose or cannot find a job, suffer a loss of earnings, or become incapacitated.

While two-thirds of all AFDC recipients are children, nearly 90 percent of all AFDC families are maintained by women alone. Child care responsibilities preclude many adults on AFDC from seeking or maintaining employment. More than 60 percent of all AFDC families include children younger than age six; almost 40 percent have children younger than age three.

2) Most adults on AFDC want to work.

Despite the difficulties they encounter in the labor market, most AFDC recipients want the chance to get a decent job which allows them to support their families. Half of all adults on AFDC move off the welfare rolls within two years, many finding their way back into the labor force on their own. Others face multiple barriers to employment, including lack of job skills and recent work experience, poor basic skills, functional illiteracy, sex and race discrimination, lack of transportation, and inadequate support services. Few are encouraged to seek a wide range of career choices or to consider nontraditional employment.

Unfortunately, the structure of AFDC frequently discourages work effort. Recipients who find paid employment are only slightly better off financially than those who rely solely upon AFDC. They also run the risk of losing health insurance under Medicaid if their earnings make them ineligible for AFDC benefits. Bureaucratic barriers such as requirements to report in person to the welfare office on a regular basis also make it difficult to hold a job without losing AFDC eligibility.

Broader economic conditions also prevent AFDC recipients from finding and retaining employment in many areas. The nation's unemployment rate has not dropped below 6.5 percent for more than six years, and 8.5 million Americans cannot find work today. In some parts of the country, the official unemployment rate still exceeds 10 percent. Among female family heads, the unemployment rate was 11.5 percent in 1985.

3) Mandatory participation in work programs is counterproductive.

Given the diversity of problems and barriers to employment which AFDC recipients face, an inflexible requirement that all recipients participate in work-related activities makes little sense. Large numbers will choose to take part in voluntary programs. This choice to participate enhances the self-esteem of recipients while also strengthening their awareness that they are responsible for the decisions which lead to self-sufficiency.

A uniform mandate imposed on all AFDC adults also ignores the great variation in their needs, life circumstances, and communities. For some recipients, the most appropriate choice is to care for a sick or disabled dependent or a very young child rather than to participate in a work program. Efforts to promote self-sufficiency must reflect this need for flexibility and choice.

4) Some recipients need substantial help to become self-sufficient.

Deficits in education, training, and work experience pose major barriers to employment for many AFDC recipients. Fewer than 40 percent of all adults on AFDC are high school graduates. Among AFDC recipients required to register for the Work Incentive (WIN) program in 1983, roughly 60 percent had math skills below the eighth or ninth grade level and nearly half had reading skills below that level. At least one in four adults on AFDC has no prior work experience.

Such barriers can only be removed through substantial investments to enhance the academic and job skills of adults on AFDC. Required work assignments, or work relief, do not yield lasting gains in future employment and earnings for most AFDC recipients.

5) No work program can succeed without jobs at the end.

Training programs for AFDC recipients are of little value if poor employment conditions keep them from finding work. A state which focuses only on employment preparation, without also addressing the need for job creation and economic development, runs the risk of squandering its investment.

The quality of job placements also is a key factor in efforts to promote economic self-sufficiency. Employment opportunities which cannot support families--including jobs at the minimum wage, those in seasonal industries and those without health insurance--may move families off AFDC temporarily, but provide few prospects for long-term stability and self-support. Preparation for high wage and nontraditional jobs for recipients should be a priority.

6) AFDC recipients cannot be asked to neglect their families.

AFDC parents need to be assured of adequate child care and other supportive services in order to participate in welfare-to-work programs. They also need transitional health and child care assistance so that they are not in the position of risking the well-being of their children when they accept employment and move off the welfare rolls.

7) Genuine welfare reform is long overdue.

The AFDC program was created in 1935 primarily as a means of meeting the income needs of widows with young children. While the structure of the AFDC program has changed little over the past fifty years, the nature of the AFDC population has changed dramatically. The time has come to consider genuine welfare reforms--and particularly changes in AFDC --which reflect the needs of today's poverty population.

There will always be a need for a basic cash assistance program which assists those who cannot, for whatever reasons, support themselves. More effective welfare employment programs by themselves can neither eliminate the need for a strong system of income supports nor substitute for genuine welfare reforms. At best, welfare employment programs represent one important means of addressing the poverty problem in the United States, increasing prospects for employment and eventual self-sufficiency for a substantial segment of the AFDC population but falling short of a complete response to their diverse needs.

III. Putting Together a Meaningful Welfare Employment Program

The Coalition on Women, Work, and Welfare Reform has observed the wide range of welfare employment initiatives being designed in the states. To assist those considering or responding to such programs, the Coalition has developed a guide for advocates to use in assessing elements put forward in such proposals. It is the perspective of the Coalition that provision of a wide range of program elements and the choice among these elements by welfare recipients is a keystone for an effective welfare employment program.

The Coalition recommends that state policymakers and administrators work to design a program offering as many of the elements which follow as are possible. If it is not fiscally possible to provide the wide range of services, it seems appropriate to the Coalition to offer a broader sector of employability services to a smaller population of recipients while maintaining basic income supports, medical assistance, food stamps, and other basic services for all the eligible population. This kind of effort should provide a proving ground for the employment and training components and provide the time for building political support for a larger scale effort.

The Framework

Oversight Design and Coordination, Communication: An effective self-sufficiency strategy requires that income maintenance, supportive services, training, placement, education, and economic development components be developed, coordinated, and made accessible to applicants and clients. This requires state-level agreement on the need for a comprehensive self-sufficiency strategy and education for the public on the wisdom and promise of such an approach. Some form of cabinet council, set of interagency contracts, special legislative or executive oversight committee is helpful, if traditional agency and program boundaries are to be bridged. Advisory bodies which include advocates and recipient groups are also vital links for making the program work. The framework for the program should be designed in anticipation of the need to add and modify program elements. Training of and communication among caseworkers and program deliverers is vital. Assistance to participants in evaluating the options and assessing the economic and personal consequences of each option will be a critical step in program success.

Intake, Assessment, and Counseling: There should be visible and well advertised intake points in each community which determine eligibility, orient applicants and recipients to the programs open to them, provide individual counseling and assessment, and design, with the client, an individual plan for self-sufficiency. This element can be organized within a public agency or contracted to a community-based organization.

Information, Innovation, and Evaluation: New program elements should be built upon information gained from recipients and the evaluation of previous programs. Evaluations should collect data on direct and indirect outcomes and benefits over the long term.

The Choices

Just as people become poor for different reasons, so they will escape poverty through different routes. For some, the appropriate strategy may be teaching the skills of how to look for a job. For many, it will require access to child care, medical coverage for their children, and other supportive services. For others, it will mean remedial education, skills training or a college degree to make a permanent escape from poverty. Still others may need help only in accessing existing jobs or being given support to create a job for themselves.

In short, it must be understood that what is a road for one welfare recipient may be a roadblock for another. Training may be a dismaying waste of a recipient's time if she already possesses marketable job skills. Just as clearly, immediate placement in a low-wage, no-benefit job may only ensure a rapid return to poverty for a woman for whom only more education will make it possible to compete for a job that is not marginal and can offer a permanent and adequate income for her and her family.

Those seeking to escape poverty are best positioned to make these choices if provided adequate information and real options. They will gain or suffer as a result; their effort and commitment will be required for any path to succeed.

A comprehensive menu of choices should include the following:

A. TRAINING AND EDUCATION

Basic Skills Education: Educational programs should be designed to develop proficiency in reading, writing, mathematics, and introduction to technology. English as a second language may also be needed.

Job Training: Explicit linkages with training programs, such as JTPA and vocational education, can and should be developed so that a reasonable portion of a state's training efforts serve welfare recipients. Training for nontraditional jobs can be encouraged. Additional job training dollars might be added from state coffers to improve recipients' access to skills training.

Post-Secondary Education: Some of the 89% of AFDC recipients who have not attended college, as well as many of the 11% who have, are most likely to achieve self-sufficiency by entering post-secondary education. Federal law allows welfare recipients to recieve some types of student aid without reduction of their welfare benefits. Improving knowledge and reality of the option of post-secondary education, alerting recipients to the means to finance it without loss of necessary welfare support, and increasing the efforts of state-supported colleges and universities to serve this clientele are all needs around which action is appropriate. Through such means, Maine doubled its college enrollment of AFDC recipients in one year.

B. PLACEMENT

Job-Finding Skills: This choice entails creating supportive job clubs, training in job search techniques, and help with interviewing skills and resume preparation.

Placement Efforts: Linking participants with employers is both a job development and marketing effort. Both are key elements in an effective welfare to work program.

Grant Diversion: A funding mechanism designed to create jobs for AFDC recipients, grant diversion provides employers with a training/employment bonus in return for hiring recipients for permanent jobs. See Bangster, et al., an MDRC report on grant diversion in the resource bibliography, for further information.

Supported Work: By providing comprehensive support services and acting as an employment agency for welfare recipients, supported work programs with a long history of success for recipients are being operated in several states. For more information on this strategy, see the resources listed in the Bibliography at the close of this publication.

C. SUPPORT SERVICES

Childcare: Self-sufficiency is a family affair; to free the head of household for any option, quality child care must often be available. The $18 million state expenditure for childcare vouchers for welfare recipients has been one key to the success of Massachusetts' ET Choices' program. Assistance in arranging for childcare is also often vital.

Medical Care: In order for employment to be a viable and responsible option for an AFDC mother, it is important to insure that she have medical coverage either through Medicaid or health insurance provided on the job. States are required under federal law to provide four months of additional Medicaid coverage after the loss of eligibility for AFDC due to an increase in a recipient's income. When a recipient loses AFDC eligibility due to the expiration of the earned income disregard, Medicaid eligibility must continue for an additional nine months and, at state option, it may continue for another six months after that. Few, if any, states have adopted this additional six-month option although it could be of enormous assistance in facilitating a recipient's transition into the work force.

Work Expenses: Working often entails added transportation, food and clothing expenditures which can heavily burden the transition to employment for an AFDC recipient. Federal law recognizes the existence of work-related expenses and requires that $75 be deducted from a recipient's income in computing AFDC eligibility. However, since this $75 must also cover taxes (AFDC eligibility is computed on gross income), it does not go very far. Depending on state law, vendor payments and in-kind contributions may be useful avenues to pursue in assisting recipients with work expenses. It is important to clarify, however, that state law would not count such assistance as income used to offset an AFDC grant or deny eligibility. In addition, child care expenses of up to $160 per child may be deducted from earned income on top of the $75 work expense deduction.

Life Skills: This choice entails pre-employment program approaches which build self-esteem, improve assertiveness, build physical fitness and improved nutrition, provide peer support, develop budgeting and financial skills, and explore problem-solving skills.

D. JOB CREATION

Linkage with Economic Development Projects: All government-assisted projects which create jobs should be asked to provide referral to welfare recipients. These efforts should be consistent with ongoing affirmative action regulations.

Self-Employment: For some welfare recipients the only way they will acquire a job is to create one for themselves. Thirty percent of AFDC recipients surveyed recently by the Minnesota State Planning Office said they had considered starting a business to sustain themselves and could name the specific business. In Europe, many thousands of unemployed persons have taken advantage of welfare programs that allow recipients to continue receiving benefits while becoming self-employed.

E. PROTECTION OF RECIPIENT RIGHTS

Finally, a key ingredient in an effective state welfare employment initiative will be the development of regulations and grievance processes which protect a recipient's capacity to move from one element to another without penalty if an option is not satisfactory and to refuse program offerings which do not meet the recipient's needs.

IV. IMPLICATIONS FOR STATE POLICYMAKERS AND ADVOCATES

1) Begin by finding out what your state has to work with.

Virtually every state is already making some efforts to move AFDC recipients into permanent jobs. Before starting any new welfare-to-work initiative, it is important to assess the strengths and weaknesses of current state activities under the Work Incentive (WIN) program, the federal Job Training Partnership Act, Single Parent and Homemaking programs funded through Vocational Education, and other educational or training efforts serving disadvantaged persons.

This assessment of current programs is an essential first step in building more effective state policies. Only after developing a clear picture of the state's current capacity to provide education, training, and support services to AFDC recipients and the outcomes of these efforts is it possible to set reasonable goals and plans for the future.

2) Start small and commit to a long-term effort.

Setting up a comprehensive state system to help AFDC recipients move toward employment and self-sufficiency is a difficult and complex task. States which attempt to do too much too quickly--particularly by trying to move employment and training services to the entire AFDC population --can quickly become overwhelmed and undermine the effectiveness of their efforts. In addition, while income support and other basic services are needed by the full AFDC population, other services will be more individualized and planning will be critical.

An incremental approach often yields better results. By starting with a manageable program and building on success, states can avoid stretching resources too thin and still achieve lasting gains for many AFDC recipients.

3) Emphasize voluntary participation.

Given the complexities of welfare-to-work programs, it makes sense to work with AFDC recipients who want to work and are eager to participate.

A focus on voluntary participation builds broad public support for the program. It also strengthens the dignity, self-esteem and decisionmaking responsibility necessary for AFDC recipients to make the transition from welfare to work.

4) Concentrate on more intensive investments.

In welfare-to-work programs, as in many areas, you get what you pay for. Research shows that low-cost interventions such as job search assistance may prove useful in moving the most employable participants into jobs more quickly, but do not result in more significant or lasting gains for the hard-to-employ.

The most substantial and lasting increases in employment and earnings are achieved when programs make intensive investments in education, training and employment preparation for the most disadvantaged of AFDC recipients. Rather than providing a quick "band-aid" solution, this approach changes lives and can lead to long-term self-sufficiency.

5) Keep the focus on lasting gains in employability.

States which promise quick results or large savings in AFDC costs set themselves up for failure. Demonstration projects in several states have clearly shown that welfare-to-work programs at best result in modest reductions in welfare expenditures and in the short term may actually cost more than they save.

To measure the effectiveness of welfare-to-work initiatives states must look beyond welfare savings to examine how well programs are enhancing the employability of AFDC recipients. Strong monitoring and data collection to document the impact of state programs is essential in order to maintain public support and to improve program effectiveness.

6) Devote a portion of available resources to job creation and other "welfare prevention" strategies.

By focusing only on welfare-to-work efforts, states run the risk of setting up a perverse system which only helps struggling individuals and families after they turn to AFDC for assistance.

At least a portion of a state's resources should be set aside for investments in prevention--programs and policies which stimulate job creation and preparation for well-paid work--so that families have a better chance for independence without reliance upon welfare systems. Remedial education, literacy, and job training programs targeted to low-income teenagers and adults are important components of any prevention strategy.

7) Learn from the experience of other states.

During the past few years, a number of states have launched ambitious experiments designed to help AFDC recipients move into permanent employment at wages which allow them to support their families. The many lessons derived from these efforts now constitute a valuable resource for any state seeking to improve its own programs in this important area.

8) Address the "isms" in society, which affect AFDC recipients.

The sexism, racism and other forms of discrimination which affect the employment of minority and other groups in our society also affect the employment of AFDC recipients. For welfare employment programs to be successful in placing AFDC recipients in meaningful jobs, the enforcement of equal employment opportunity statutes in the state and the awareness among both recipients and caseworkers of EEO systems, procedures, and recipient rights are critical. State administrators and policymakers can play a vital role in seeing that the link is made and that enforcement occurs.

Summary

The National Coalition on Women, Work, and Welfare Reform provides this publication and the resource bibliography which follows to encourage more active participation in the development of welfare employment programs at all levels.

The Coalition can provide resource persons, speakers, or other assistance to colleague groups at the local, state, or national level interested in affecting or monitoring welfare employment policy.

V. **REFERENCES**

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(GAO found that there was insufficient evidence to support the Reagan Administration contention that work relief programs greatly improve client moves to self-sufficiency. To obtain a copy, contact GAO, Document Handling and Information Services Facility, P.O. Box 6015, Gaithersburg, MD 20811 or phone (202) 275-6241. Report No. GAO/HRD-85-92.)

General Accounting Office, **"An Evaluation of the 1981 AFDC Changes: Final Report."** July 2, 1985.

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Subcommittee on Intergovernmental Relations and Human Resources, House Committee on Government Operations, **"Opportunities for Self-Sufficiency for Women in Poverty."** Dec. 31, 1985.

(This report critiques the Administration's proposal to mandate participation levels in state AFDC work and training programs and to replace WIN funding by a matching grant to support state work relief programs and other training services. The report also provides an overview of several model work and training programs now operating at the state and local level. To receive a copy, contact the Subcommittee on Intergovenmental Relations, B-372 Rayburn Building, Washington, DC 20515; (202) 225-2548. Report No. 99-459.)

Jones, Meriwether, **"Transfer Payment Investment Policy: Letting Them Have Their Boots and their Bootstraps Too."** 1985, The Corporation for Enterprise Development.

(Discussion of various avenues to self-sufficiency for low-income persons, with an emphasis on alternatives that stress an investment in skills development and support services and the provision of a broad range of education and training choices. For a copy, contact CFED, 1725 K Street NW, suite 1401, Washington, DC 20006; (202) 293-7963.)

B. STATE PROGRAMS

Massachusetts Department of Public Welfare, **"Employment and Training Choices."** Commonwealth of Massachusetts, 1985.

(Describes how E.T. operates and documents the program's progress. To receive a copy, contact the Massachusetts Department of Public Welfare, 180 Tremont Street, Boston, MA 02111; (617) 727-0837.)

The Manpower Demonstration Research Corporation, **Analyses of West Virginia, Maryland, Maine, Virginia, Arizona, Arkansas, San Diego, California and Cook County, Illinois** welfare employment demonstration programs. Available through MDRC, 3 Park Avenue, New York, NY 10016. (212) 532-3200.)

Maryland Department of Human Resources, Office of Welfare Employment Policy, **Employment Initiatives: Third year Report,** December, 1985.

(Describes the program participants and findings from the first three years of the Maryland welfare employment program. For a copy, contact the Office of Welfare Employment, DHR, 1100 North Eutaw Street, Baltimore, Maryland 21201.)

C. AID TO FAMILIES WITH DEPENDENT CHILDREN

Committee on Ways and Means, U.S. House of Representatives, **"Background Material and Data on Programs Under the Jurisdiction of the Committee on Ways and Means."** U.S. Government Printing Office 1986 Edition.

(The "Green Book" provides extensive statistical information on AFDC caseloads and benefit levels, including state by state data. It does a good job of explaining the recent changes in work and training provisions, including WIN. The Ways and Means Committee, 1102 Longworth Building, Washington, DC 20515; (202) 225-3625, will usually provide copies. Books are also available through the U.S. Government Printing Office, Superintendent of Documents, Washington, DC 20402; (202) 783-3283.)

Leyser, Barbara, Adele Blong and Judith Riggs, **"Beyond The Myths: The Families Helped by the AFDC Program."** Center on Social Welfare Policy and Law. Second edition, 1985

(This booklet refutes common misperceptions about AFDC recipients, including the numbers who work and the obstacles they face. Copies may be requested from the Center on Social Welfare Policy and Law, 95 Madison Avenue, New York, NY 10016.)

Congressional Research Service and Congressional Budget Office, **"Children in Poverty."** U.S. Government Printing Office.)

(Prepared for the House Ways and Means Committee by CRS and CBO, this report includes a wealth of data and analysis concerning the economic well being of AFDC families, including discussion of welfare-to-work. To obtain a copy, contact the Ways and Means Committee or the U.S. Government Printing Office.)

Bane, Mary Jo and David Ellwood, **"The Impact of AFDC on Family Structure and Living Arrangements."** Report to the U.S. Department of Health and Human Services, Harvard University, 1984.

(Bane and Ellwood refute the argument that generous AFDC benefits encourage welfare dependency. They found that the level of AFDC benefits has little if any effect on a mother's decision to seek AFDC assistance for her family; there are not significantly greater AFDC caseloads in states with more generous benefits.)

Bane, Mary Jo and David Ellwood, **"The Dynamics of Dependence: The Routes to Self-Sufficiency."** Urban Systems Research and Engineering, Cambridge, MA, 1983.

(This report analizes data from a 10 year longitudinal study to determine a) the factors that contribute to a family's coming onto the AFDC rolls, b) the length of time families remain on the rolls, and c) the reasons families cease receiving AFDC. The reported findings include data showing that half of all recipients remained on the AFDC rolls for less than two years and that, while only 12 percent of families turned to AFDC because of a drop in their earnings, 39 percent of the families that stopped receiving AFDC did so because of an increase in earnings.)

D. ANALYSIS BY ADVOCATES

American Friends Service Committee, **E.T.: A Model For The Nation? An Evaluation of the Massachusetts Employment and Training Choices Program.** 1986.

(This publication assesses E.T.'s employment opportunities, questioning the extent to which the program enables participants to increase earnings and escape poverty. Copies may be requested from AFSC, 1501 Cherry Street, Philadelphia, PA 19102; (215) 241-7000.)

American Friends Service Committee, **Workfare.** 1983.

(This pamphlet provides a concise critique of workfare, defining what workfare is (in the strict "work relief" sense) and how this experience differs from both salaried employment and vocational training. To obtain a copy, contact AFSC, 1501 Cherry Street, Philadelphia, PA 19102; (215) 241-7000.)

Coalition of California Welfare Rights Organizations, **"Report on the California Workfare Program."** 1985.

(The study raises several objections to GAIN (Greater Avenues to Independence), the AFDC work and training program recently enacted in California. Copies may be requested from CCWRO, 1900 K Street, suite 203, Sacremento, CA 95814; (916) 442-2901.)

Wider Opportunities for Women, **Welfare to Wages? Women in the WIN Program.** 1984.

(Provides an analysis of the impact of the Work Incentive Program on women participants. For a copy, contact WOW, 1325 G Street, NW, Washington, DC 20005, 202-638-3143.)

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Massachusetts:
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Teri Bergman, Asst. Commissioner for External Affairs
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Minnesota:
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Department of Human Services
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Charleston, West Virginia 25302
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F. RESOURCE ORGANIZATIONS

American Friends Service Committee
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215-241-7123
Contact: Jane Motz, Economic Rights Program
Area of Expertise: Welfare reform issues, policy analysis, and local program work.

Center on Social Welfare Policy and Law
1029 Vermont Avenue, NW, Suite 850
Washington, DC 20005
202-347-5615
Contact: Barbara Leyser, Social Policy Analyst
Area of Expertise: A national law office specializing in the needs based assistance programs -- Aid to Families with Dependent Children, General Assistance, and Supplemental Security Income. 15 years' experience in analysis and other work on AFDC work requirements and work demonstration programs.

Children's Defense Fund
122 C Street NW, 4th Floor
Washington, DC 20001
202-628-8787
Contact: Cliff Johnson, Director of Youth Employment
Area of Expertise: Research and policy analysis on employment and training programs, including WIN and welfare-to-work initiatives; policy development to promote self-sufficiency among AFDC recipients; teen pregnancy prevention and broader issues affecting poor and minority children and youth.

The Corporation for Enterprise Development
Suite 1401
1725 K Street, NW
Washington, DC 20006
202-293-7963
Contact: Rona Feit, Transfer Payment Investment Director
Robert Friedman, President
Areas of Expertise: Economic and enterprise development and job creation strategies especially in distressed communities and for disadvantaged people; coordination of a six state self-employment investment demonstration; transfer payment investment strategies related to training, education, employment, and self-employment.

Displaced Homemakers Network
1010 Vermont Avenue, Suite 817
Washington, DC 20005
202-628-6767
Contact: Jill Miller, Executive Director
Rubie Coles, Senior Associate

Area of Expertise: Training and technical assistance to local programs serving displaced homemakers. Policy analysis and publications on vocational education, JTPA, health insurance, minority women, retirement equity, and child support enforcement. Administer network of over 700 women's education and employment programs.

Federally Employed Women
1010 Vermont Avenue, NW, Suite 821
Washington, DC 20005
202-638-4404
Contact: Chris de Vries, Legislative Director
Area of Expertise: Policy analysis and publications on pay equity; civil service retirement systems; federal budget initiatives; equal employment opportunity; and affirmative action. Provide training for federally employed women.

National Commission on Working Women
1325 G Street, NW, (LL)
Washington, DC 20005
202-737-5764
Contact: Sandra Porter, Executive Director
Area of Expertise: Advocacy for women in traditional clerical, sales, factory, and service occupations. Publications and analysis on working poor women. Media reports and advocacy.

The National Urban League
Washington Operations
111 14th Street, NW
Sixth Floor
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202-898-1604
Contact: Douglas Glasgow, Vice President
Bob McAlpine, Congressional Liaison
Area of Expertise: Legislation and advocacy on welfare reform. Policy analysis.

National Women's Law Center
1616 P Street, NW, Suite 100
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202-328-5160
Contact: Ellen Vargyas
Area of Expertise: Legal requirements for AFDC grants particulary in the areas of education, child care, and Medicaid extension.

NETWORK: A Catholic Social Justice Lobby
806 Rhode Island Avenue, NE
Washington, DC 20018
202-526-4070
Contact: Nancy Sylvester, I.M.H., National Coordinator
Area of Expertise: Feminization of poverty; the Parental and Medical Leave Act; pay equity; and plant closing legislation.

United Church of Christ, Office for Church in Society
110 Maryland Avenue, NW, Suite 504
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Wider Opportunities for Women
1325 G Street, NW (LL)
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Area of Expertise: Training provider for local welfare recipients. Advocacy, analysis, and publications on JTPA, welfare employment, Voc Ed, and related issues affecting women. Administer network of programs and advocates on women's employment. Consultation to state agencies.

The Women and Poverty Project
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Contact: Diana Pearce, Director
Area of Expertise: The impact of workfare on women in poverty; historical background and context of workfare; social science analysis of program results, including critique of evaluation studies; network of academic and non-academic advocate women knowledgeable about workfare projects in their locales.

Women's Equity Action League
1250 I Street NW, Suite 305
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Contact: Char Mollison, Executive Director
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Area of Expertise: Specializes in women's economic issues through research, public education, publications litigation, and lobbying. Current issues include: pensions, taxes, social security, insurance, dependent care, civil rights, women in business, and women in the military.

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726 Broadway
New York, New York 10003
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Contact: Helen Parolla, Coordinator of Public Affairs and Public Policy
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For further information on the National Coalition on Women, Work, and Welfare Reform, contact Wider Opportunities for Women, 1325 G Street N.W., Washington, D.C. 20005. (202-638-3143). Additional copies of this publication can be purchased from WOW for $5.00 pre-paid.

Chairman **Ford**. Thank you very much, Ms. Marano, and to each of the panelists.

I am going to ask if the panelists would leave the witness table for a few minutes and come back at a later time. We are fortunate to have with us one of our Senators from New York, who is chairman of the Senate Finance Subcommittee on Social Security and Family Policy, and we understand that he is running on a tight schedule. I would like to recognize the senior Senator from the State of New York, a friend of welfare reform, a friend of children in this Nation, and my good friend, this great person, Senator Daniel Moynihan.

We are delighted to have you with us.

STATEMENT OF HON. DANIEL PATRICK MOYNIHAN, A U.S. SENATOR FROM THE STATE OF NEW YORK, AND CHAIRMAN, SUBCOMMITTEE ON SOCIAL SECURITY AND FAMILY POLICY, SENATE FINANCE COMMITTEE

Senator **Moynihan**. Thank you, Mr. Chairman. It is an honor to be back before this honorable committee.

I have got to leave in very short order, as a matter of momentous consequence is to be voted on on the Senate floor, namely, committee budgets. And I must get over, as you understand, and I will be brief. But I have a statement I would like to ask if I might put in the record.

Chairman **Ford**. Without objection.

Senator **Moynihan**. I think it might be helpful if I say a few words to my friends here, just to give them a sense of what we are thinking about on our side, sir. You did us a great honor to come over and testify Friday morning when we began our hearings, and Tom Downey did the same, and we can sort of bring you up to speed on that.

Last night, of course, the President did speak about the matter. He spoke in his State of the Union Message a year ago about a new national welfare strategy, and I think many of you would have seen the factsheets that they put out on that. There is a possibility that this can be the kind of event in the 100th Congress that tax reform was last time around. It is real. We should not assume that we can't do this, because to the contrary, we do a lot of things if we get together.

On our side we have begun—I don't speak to any consensus, but I speak to an emerging feeling, that probably you can't reform what we call welfare. You have just got to have a new system of child support.

What we call welfare is a 52-year-old program that was put in place in 1935, as a temporary bridge to get families, mothers with dependent children, widows, over that period of time until families would have qualified for survivors insurance.

President Roosevelt gave mothers and children two sentences in his message to Congress on the subject. A little more space was devoted to old age assistance. It would take time for the Social Security system to mature so that workers would retire with full benefits. He said about 30 years. He was right. They knew what they were talking about. In the meantime there was the old age assistance grant program. AFDC was meant, in the same way, to tide over widows and orphans until survivors insurance matured. But that was another age. The typical AFDC recipient was seen as a West Virginia coal miner's widow. If there was an industrial accident, and the one breadwinner in the family died; then there was AFDC.

That is a different situation from what we now face. Whatever else we know, we know we don't have political support for this program. We are all in the business of winning support for issues in public life. Since 1970, we have seen the provision for children under this title of the Social Security Act, decline in real terms by one-third. No other recipients of Social Security have seen their benefits decline a nickel. They have typically seen them go up and, at minimum in recent years, maintained. Only children have had their benefits cut. Not a nickel, but a one-third cut.

After you left, Mr. Chairman, and Mr. Downey, that grand old gentleman, Arthur Fleming, testified before us. He was Secretary of Health, Education and Welfare under President Eisenhower. I will give a little statistic about the last 10 years.

Going back to 1976, you have a mother with two dependent children, a rather common family, as a matter of fact. She works and she earns up to 75 percent of the poverty line. In 1976, the combination of her earnings, food stamps, and AFDC benefits would have brought her family above the poverty line in 46 States out of 50; last year, the number was 8 States. That is what we have done to children in the last decade. We have really hurt them. If you set out to hurt a group of the population, you couldn't have done so more deliberately than what we have done inadvertently.

Just a little point on the future. Fifteen years ago, our birth rate fell below the reproduction level. You ought never to waste a child's life. We don't have any children to waste. You have to take a good look at the way we are behaving. It is astonishing. The elemental fact is that the median child in America now lives part of his or her life as a child in a single parent family. As a matter of fact, only 40 percent of children reaching 18 live all their lives in a two parent family. Two natural parents. So child support becomes an issue.

How do you design a system in which those children don't suffer the damage which we can show happens to children who are in that situation and at low levels of income?

We see two, three general propositions. I will say them very quickly, then I will answer such questions as you might have.

The first proposition we see emerging is a consensus that parents have got to assume responsibility for their children. Now, in most cases that means the male parent. We have begun to find out what a terrible blow divorce is to most women.

I said after you left, Mr. Chairman, that when I was a boy—Tom remembers this—growing up in New York City, reading the Daily News, the Daily Mirror, I had the impression that only millionaires got divorced. That was the only thing I read about the Vanderbilts. But of course it is just the other way around. The lower your level of income and education, the higher the likelihood of divorce, and the provision of child support is just awful.

Only 58 percent of American women raising children alone have court orders for child support. Of those 58 percent, half get paid in full, one-quarter get paid in part, and one-quarter don't get paid anything. If you distinguish between black, Hispanic, and white, the ratios are very, very much to the disadvantage of black women. The average payment for black women, those who get child support, is $1,400 a year. Not enough to raise a child.

The second area of consensus which is very important, and it has happened in our lifetime—there's not one person on this committee who can't remember it—is that women have gone to work. They used not to be in the labor force. Fifty years ago they weren't supposed to be in the labor force. In my State of New York, I can say to Ms. Kennelly, as late as 1950, if a school teacher got married, she had to leave her job. You couldn't have a married woman teaching school. She was supposed to be home.

Married women are in the work force, and they are there permanently. Their education demands it of them, and the economy demands it of their families. The proportion of women with children under age 6 in the labor force is 54 percent. Consequently, one assumes a dependent family mother will do what other mothers do: work—at least part time. In this way, she will contribute to the financial security of her children. If the father's child support payments, plus the mother's earned income is not enough, then you start adding public support.

The third area in which we find agreement is that if you are going to ask women to work, you have to make it possible for them to do so. You have heard Ms. Marano, you have to make it possible, and that involves the Federal Government.

The last thing I would point out is that there is nothing in these general emerging ideas that we don't have, in some way, in place. Since 1950 we have been trying to enforce parental child support obligations. We have had job training programs. We know something about this we didn't know 30 years ago.

I feel strongly that we can do something and I very much appreciate the honor of coming before your committee and saying these few words.

[The statement of Senator Moynihan follows:]

STATEMENT OF HON. DANIEL PATRICK MOYNIHAN, A U.S. SENATOR FROM THE STATE OF NEW YORK, AND CHAIRMAN, SUBCOMMITTEE ON SOCIAL SECURITY AND FAMILY POLICY, SENATE FINANCE COMMITTEE

Mr. Chairman, thank you for inviting me here today to discuss a subject that demands our urgent attention: the well-being of our children. Your leadership in this area is oft demonstrated and I look forward to working closely with you and the members of this Subcommittee as the 100th Congress proceeds.

Last evening, we heard President Reagan deliver his State of the Union address. He said he would submit to the Congress, next month a "new national welfare strategy" to reform the existing system and to "finally break the poverty trap." If the President is willing to work on overhauling the current family welfare system, he will find many of us in Congress ready to work with him. We may be able, in this 100th session of Congress, to bring about genuine social change.

Such change is much needed. As you noted, at least week's hearing before the Senate Subcommittee on Social Security and Family Policy, the principal program now supportifg poor children, Aid to Families with Dependent Children (AFDC), does not offer poor families the hope of becomifg self-sufficient.

I agree. And as a result, I suggested that our objective should be to replace the AFDC program, for this half-century old program cannot be "reformed." Replace it with a national system of child support—a system that relies first and foremost on parents to support their children. It is essential that we do so, because the majority of children born today, 60 percent, will live in single-parent families before reaching their 18th birthdays.

Consequently, we should require that, in single-parent families, the absent parents (practically always fathers) pay a portion of their income to help support their children. And we should require that a custodial parent (practically always mothers) ordinarily help support their children by working, at least part-time, outside the home—while at the same time providing work and training opportunities for those parents. Finally, if parental support payments plus earnings still leave a household's income below a stipulated minimum benefit level, we should provide for our children with public support.

EMERGING CONSENSUS

At the hearing of the Senate Subcommittee on Social Security and Family Policy last Friday, we were impressed by the bipartisan consensus that seems to be emerging around these themes.

First, there is agreement that parents must assume responsibility for their children. According to the U.S. Census Bureau, in 1983 there were 8.7 million women caring for children whose fathers were absent from the home. Only 58 percent of them had court orders or agreements to receive child support; 42 percent did not. Of the 58 percent with court orders, only half received the full amount due them, a quarter received partial payment, and the remaining quarter received nothing.

The problem effects mothers regardless of race, ethnicity, or region, although we do know that black mothers and mothers of Spanish origin living apart from the fathers of their children are less likely than their white counterparts to be awarded child support. According to data summarized by the Ways and Means Committee last year, 70 percent of white mothers are awarded child support payments, compared to 44 percent of Spanish-origin mothers, and 34 percent of black mothers. White mothers also receive larger child support payments per year ($2,475 in 1983), on average, than black ($1,465) and Spanish-origin ($1,839) mothers.

Child support enforcement is a responsibility that crosses income lines. All children are entitled to parental support. All custodial parents, mothers in 90 percent of all single-parent households, have a right to expect the absent parents to help support their children.

Systematic enforcement of child support obligations is something we've just begun to do, despite that fact that Congress first passed child support legislation in 1950 (the Notification of Law Enforcement Officials, or the so-called NOLEO Amendment). But as these data show, we can and must do a better job of enforcing parental support obligations.

A second area of consensus has to do with work. Whether children live with both parents or just one, able-bodied parents have a responsibility to support their children by working. Ideally, in a two-parent family, at least one parent ought to be working full time. In a single-parent family, there is general agreement that the parent, usually the mother, work outside the home, at least part-time.

According to the Bureau of Labor Statistics, 70 percent of all mothers with children aged six to 18 years are working at jobs outside the home; 54 percent of mothers with children under the age of six are working; and even 51 percent of mothers with children under the age of three are working.

What is disturbing, however, is that many of these working mothers are still poor. In his statement before the Senate Subcommittee last Friday, Dr. Arthur Flemming, former Secretary of Health, Education, and Welfare under President Eisenhower, pointed out that in 1986, if a parent with two children were earning income equivalent to 75 percent of the poverty line, her earnings, together with AFDC and Food Stamp benefits, would lift her family above the poverty line in only eight states. Just ten years before, in 1976, the same household would have escaped poverty in 46 states.

A single parent ought not to be poor and dependent on the welfare system when she is both working and fulfilling her child-rearing obligations. That is why I stress the importance of developing a new child support system that will rely, primarily, on parental support payments from the absent parent, plus earned income. Together these sources of income ought to free mothers and their children from relying on public subsidies.

Should a combination of parental support payments and earnings still be insufficient to care adequately for these children, then time-limited government assistance, in the form of a child support supplement to the custodial parent, ought to be made available. If, after a reasonable period of time, say, two years, the custodial parent has not secured a job, she would be provided a public work, training, or education assignment as a condition of continued public support.

A third source of agreement stems from the second: If we are to expect single parents to go to work, then we must put in place the supportive services that will enable such parents to train for, secure, and retain jobs outside of the home. For example, job-training and work experience programs, together with child care services, are a must.

Numerous witnesses also testified to the importance of providing poor working parents with access to health care coverage for their families. The loss of Medicaid benefits for working parents making the transition from welfare to work may pose a major disincentive to work. As you, Mr. Chairman, and others pointed out last week, we may have to mandate the extension of Medicaid benefits to poor households with young children, rather than leave that option to the states.

In short, the recurring theme sounded by the witnesses at last week's hearing, is that of a new "social contract." A contract in which parents agree to assume the primary financial responsibility for their children—absent parents by paying child support and custodial parents by working as much as is practicable. In exchange, the rest of us, through temporary government assistance, will assure that children and the families raising them receive adequate income and health care.

THE WHYS AND WHEREFORES OF THE NEW CONSENSUS

We have been trying to overhaul the AFDC program for the last two decades. We have not been successful. I think there is a reasonable explanation for our inability to agree on how to reform this program.

To begin with, the AFDC program was never intended to cope with the social realities of the 1980's. It was designed, in 1935, to be a short-term transitional program—a bridge to tide over the widows and orphans who had not yet qualified for the Survivors Insurance program, enacted into law in 1939.

It was not to be. Rather than "withering away," the AFDC program grew. Instead of becoming a residual program that would supplement a fully mature Survivors Insurance program, in 1986, AFDC supported some 7 million children, double the 3.3 million children receiving Survivors benefits.

AFDC did not recede into the shadow cast by Survivors Insurance for two important reasons.

1. *Increase in Female-Headed Households.*—First, an earthquake shuddered through the American family structure. Only a minority of American children may now expect to reach age 18 having lived continuously with their natural parents. In 1985, 22 percent of children under age 18 were already living with one parent. But 60 percent of all children born in 1985 can expect to live in a single-parent family before reaching their 18th birthdays.

Divorce accounts for some 68 percent of such single-parent families, separation eight percent, illegitimacy another 20 percent, and, finally, death of a spouse a mere three percent.

In 1935, when AFDC was enacted into law, female-headed families were the exception, not the rule. It was assumed that children lived in two-parent families in which Father earned the family income and Mother stayed home to keep house and raise their children. In 1935, it was popularly assumed that the typical AFDC beneficiary was a married woman whose husband died in an industrial accident—the West Virginia coal miner's widow, for example.

Divorce and illegitimacy did not much figure in policymakers' thinking in the mid 1930s. Today, these two factors account for 88 percent of all single-parent families. AFDC was not designed to respond to single-parent families formed under these circumstances and we should not be surprised, therefore, by its failure to respond adequately.

2. *Women in the Workforce.*—The second reason for AFDC's troubles may be traced to the vastly changed expectations regarding women working outside of the home. Half a century ago, when AFDC was designed, married women did not work. Young widows with children did not work. The mothers' pensions operated by most states prior to the Social Security Act were intended to provide income to single mothers so that they could remain at home to raise their children. Both the AFDC program and the Survivors Insurance program were based on the same premise: Women should stay at home to raise their children.

Things have changed. More than half of all mothers with children under the age of six work outside the home. The entrance of so many mothers into the workforce has irrevocably changed our attitudes towards mothers receiving AFDC.

We now require certain AFDC mothers to seek and accept work outside of the home; but we do not adequately fund the endeavor. If we are serious, we must design and implement a work, training, and education program that will enable these single mothers to qualify for and retain jobs. Supportive services, such as child care and medical coverage, that make working outside the home possible, must also be included.

AFDC CANNOT MUSTER POLITICAL SUPPORT

So, aside from all of the AFDC program's more readily identifiable ills—the impossibly high tax rates on earned income, the inequitable benefit structure, the inadequate benefit payments in many states—we have a program that cannot command stable political support.

A program that was designed for poor widows will not be supported in a world where mothers are poor because they are unsupported by their divorced husbands or because they are unwed. A program that was designed to pay mothers to stay at home with their children cannot succeed when we now observe most mothers going out to work.

This political ambivalence helps to explain why AFDC benefits, alone among Social Security Act entitlements, have been allowed to decline in value. In the last 16 years, in constant dollars, AFDC payments in the median state declined by a third.

This, mind, of the children receiving such benefits. In 1985, there were 12 million poor children in the United States. Only seven million were receiving AFDC benefits.

WE DON'T HAVE CHILDREN TO WASTE

A society cannot long prosper if it squanders its children. And we do not have children to waste. The birth rate in America fell below the level necessary to maintain the population 15 years ago. With 20 percent of our children now poor, what sort of future can our country hope for? How will these ill-fed, ill-sheltered, ill-educated children keep the American economy competitive in the world market? How will they manage to produce enough to care for us, as we age?

We must finally concede that the AFDC program cannot be reformed. It must be replaced with a new system of child support.

Chairman **Ford**. Senator, thank you very much. I will be very brief because I am sure that there are other members of the panel that would like to raise some questions.

What happened in 1975, what happened before 1975, why is it that welfare reform has failed in the Congress before? How can we correct some of those mistakes from 1975 to try to make——

Senator **Moynihan**. I can speak with an awful lot of experience on that. First, any welfare reform that assumed that there should be some provision for work on behalf of recipients was immediately stigmatized as punitive. You seemed to be singling out poor mothers, making them work when other mothers did not. It was not from reality. Reality has since changed dramatically.

The second thing is that you faced such horrendous marginal rates of taxation on any earnings.

The third is you had very different attitudes from different parts of the country about the subject. The country was not unified.

It is my best judgment, sir, I don't have——

Chairman **Ford**. Two other comments. You talked about child support. We have a child support system in place today. What changes are needed? You talked about AFDC stigma. What can we replace it with? You have mentioned the child support shortage. Are we talking about a child support system that we have already enacted, or are we talking about the AFDC program being developed into a child support system?

Senator Moynihan. I would like to answer. I can give a better answer in about 4 weeks after we have heard everybody out. I would have to say to you, sir, we don't have a child support system in place. We have parts of one. It misses too many of the people who need it.

One child in five right now, if you round out the numbers, is poor. For the first time in American history the largest, poorest group in our population is comprised of children. It is not some Danish paradise where there are 100 poor people and 7 of them are hermits and the rest are sons of fishermen who haven't had much luck in the last 3 years. A quarter of our children are born poor. If you are under 6, you are seven times more likely to be poor than if you are 65.

What kind of people are we?

And of the 12 million children who are poor right now, 7 million receive government benefits, 5 million receive none.

Chairman Ford. These are children under 12 years?

Senator Moynihan. I make the case for a universal system. The present system is much too happenstance to succeed, and does not.

Mr. Chairman, if I am going to have any more hearings in the Finance Committee Subcommittee on Social Security and Family Policy, I think I had better get over and vote for my budget.

Chairman Ford. All right. Let me yield to Mr. Downey here, who is ranking.

Mr. Downey. Let me say that I want the Senator to have more hearings and I welcome him. I am excited by this, as you can see. We have a great gift in New York in our senior Senator, someone who is prepared to play an important role in this, and Pat, there are a number of questions that I will save for——

Senator Moynihan. Could I ask for questions in writing, Mr. Chairman?

Chairman Ford. Sure.

Senator Moynihan. Mr. Chandler, you have been very patient, and gentlemen—Sandy, I see you are down there as a ringer. If I got questions in writing I would return them within 48 hours and make it part of the record.

Chairman Ford. We want you to know we want to work very closely with you and your subcommittee as we move along.

Senator Moynihan. Sir, it falls to us. If this happens in the 100th Congress it will be your subcommittee and ours. That is not the worst opportunity in life.

Chairman Ford. Thank you very much.

We will ask the panelists that left the table prior to the Senator, to come back, and I would like to recognize Mr. Downey of New York at this time for any questions of the panel.

Mr. Downey. Thank you, Mr. Chairman.

I think that, first, let me say that the testimony was all excellent and I have had an opportunity to go through it and I just want to start asking some questions about what some of these proposals or ideas, and I realize some are faced with—nobody thinks these things will happen right away—and some concepts, how we are going to pay for some of this stuff, because Congressman Russo, who is now chairman of the Income Security Budget Task Force in the Budget Committee, has assured me that we will have to talk to him if we want to spend any more money on these proposals, and that he is not prepared to be generous, but he is prepared to have an open mind. That did not sound too encouraging but it is still something we need to talk about.

Let me start with Mr. Heintz. There were one or two points that you made that I wanted to talk about. You were talking about things that work in Connecticut and also this very important concept of investment and mutual responsibility. In New York State—I don't know if you are familiar with this—a welfare reform panel produced, "A new Social Contract," which they have submitted to my Governor, which I have had an opportunity to review, which also strikes me as the way we want to talk about this—we expect certain things from you. We want you to work, we want you to get a—we are going to help you to be educated and we in turn are going to offer a certain level of services to help you to be self-sufficient.

One of the things that I have heard about ET for instance, in Massachusetts, is that it skips the people who already are employable and puts them to work, and in many instances those folks would be going to work anyway, that it really doesn't address the more hard core unemployed who are going to be very tough to employ.

What has your experience been in Connecticut? Have you been able to put hard core unemployable people to work, and if so, how have you been able to do it, and how, if you can give me some figures as to how much that would cost. Could we do that on a nationwide basis?

Mr. HEINTZ. Sure.

Thank you. Let me say that the commissioner in the State of New York has been both an active participant in our committee as well as the committee that reported to Governor Cuomo in recent weeks.

I think that all successful State welfare job programs do have a high percentage of people being helped who might on their own also succeed. I think the programs help them succeed quicker and that is valuable in and of itself.

In addition, though, ET in Massachusetts, the Job Connection in Connecticut, GAIN in California, programs in States all across this country, are beginning to really focus in on a much more difficult problem—the families with lower skills, with lower educational attainment, with no work history, with terrible problems with English as a primary language, with a terrible morale problem, with no self-esteem and no sense of a future.

What we are finding is exactly what we have reflected in our testimony and which you have repeated, Mr. Downey. That is, if you begin to work with them and begin to take the longer view, and recognize that we are not going to have the success with every family that we can have with those who we are accused of "creaming," that if we take a long view and focus in on a full assessment to their needs at the outset and work with them, to design a negotiated, agreed upon plan, which may include some very basic things at the outset, very simple, basic steps—like completing a high school degree, like gaining a better use of the English language, like parenting education so they can take care of their children, work with them to identify things that they will begin to recognize as being helpful to their own efforts to become self-sufficient—that that in fact can work over time.

And we are seeing that in Connecticut's Job Connection program, and they are seeing it in ET, which is not to say that we don't help people quickly move into jobs, and there is nothing wrong with that as well.

Ms. **Marano**. I would like to add to that some information about WOW's experiences. My organization, Wider Opportunities for Women, has worked for the last 5 years with a group of mothers in the Washington metropolitan area, who face the greatest barriers to employment. They tend to be women who have less than sixth grade reading and math skills. They tend to be mothers who have more than one child, and who have been AFDC recipients for a while. We have found that with the kind of investment I have referred to and you have heard others refer to, that population can in fact be prepared and ready for gainful employment. Employment that allows them to sustain themselves and their kids, and that provides well more than the minimum wage. But it is an investment, and it is an expensive program.

Mr. **Downey**. I don't want to take up a lot of the other Member's time. I want to, since we have this panel of witnesses, just think through for a minute what I myself, and Senator Evans, are about to do. Congressman Chandler was a cosponsor in the last Congress. There is, as Pat Moynihan pointed out, an emerging consensus about the fact that we have too many children in poverty, we need to do something dramatic and different this year to deal with that. I think that can happen. It certainly is long overdue.

The problem is trying to figure out who should do what as well as what we should do, and my proposal addresses the issue that AFDC and Medicaid are national responsibilities, and I would like to get in the process of this dialog with you, whether or not you agree or not with that. AFDC, Medicaid, should be nationally financed, and my proposal does 90 percent of that. The States would require 10 percent.

We have a work welfare component that is flexible and that we pay for this by devolving programs that we already have that we pay to the cities mostly. That we would probably do away with EDA, UDAG, and a whole variety of things the cities love. But frankly, if we are going to be able to make this new social contract with the people and do some of the things that we want to do here, we are going to have to find a way to pay for it, and I do not believe that this Congress or the next Congress is prepared to spend a lot more money than we currently are spending on welfare reform. I could be wrong about that.

We are going to have to come up with what I guess is $14 or $15 billion over the next couple of years to pay for some more imaginative programs. We are going to have to start saying some of the other programs, while they were good, are not as important as other programs, and we have placed a priority, in our minds, on self-sufficiency and getting children out of poverty, and we are prepared to find a way to pay for that. Can I have your reaction?

Mr. **Meyer**. Well, I heartily endorse that. I think we ought to follow the criterion in allocating Federal responsibilities of what problems are truly national in scope and tend not to vary from region to region, versus the ones that are more regional and local and diversified. It might be nice to do everything, but we can't, and when you look at problems like hunger and poor health care, if you are hungry in Alabama, it is the same as being hungry in New York or Connecticut.

I think the Federal Government should set a basic national minimum. That doesn't mean it has to take it over. As you indicated, there are different ratios, whether it is 90–10 or 65–35. But it certainly wouldn't be the current situation that you find in Alabama, of that $1,746 a year. So the Federal Government sets some floor.

By contrast, whether a downtown project is done or whether my ride up to New York from Washington on Amtrak is subsidized by the Federal Government we may have to skip some of those things. We may have to devolve to local governments those decisions. They are the kind of decisions that result in good things, but without which life will go on.

I guess I want to mention, though, that there are alternatives to cutting programs. All of these are difficult political sledding, as you people know, and some will oppose them.

For example, I think we should also look at certain benefits that are not very heavily taxed, that could be taxed more completely. That will generate some opposition, but I am near completion of a study with a colleague at the Urban Institute, in which we have estimated how much it would cost to eliminate or greatly reduce poverty among the elderly and the disabled by raising SSI in bits, relaxing asset tests, and so on. We talk about 5 or 6 ways to finance that in the same spirit you mentioned. We are not going to recommend adding the cost to the deficit.

One of the things I find in the area of SSI, as in AFDC, is that price tags are not overwhelming. They are not trivial, but not overwhelming.

Second, through some changes in taxing some of the affluent—both the relatively more affluent elderly, or for that matter, the relatively more affluent nonelderly, as I think this burden should be shared, you can bring that money in. For instance, our statistics, which will be available within a few weeks, will show that you could fund a complete elimination of elderly poverty in this country simply by lowering the thresholds that trigger the taxation of Social Security benefits from $32,000 and $25,000 to $18,000 and $12,000. Now, some will object to that, but the point is you could raise all the money you needed to do that by taxing those benefits.

Others have advocated taxing benefits the way we tax private pensions, where you are taxed over and above that which you contributed in a lifetime. That would raise the proportion of benefits taxed from 50 percent thresholds to about 85 percent. Again, there will be some opposition to these things, but those kind of steps bring in billions of dollars.

I am very sensitive to the fact that those who have proposed doing something, and all of us have at one point or another, are labeled big spenders, or fiscally irresponsible. I think that is why our report, and I am sure a number of other reports, has said here it is, here is our best estimate of how much it would cost; here are five or six different ways to fund it. Each one is going to have some opposition. Let's start with the process of finding some consensus.

Mr. HEINTZ. I would like to contribute to this discussion. I think Jack has testified on a lot of very important points and I don't need to repeat them. I would like to say a couple of things.

First, I think as a principle, it is important that States be financially invested in these programs, along with the Federal Government. I think the Federal Government must play a kind of leadership role that Jack has outlined, and I talked about in my testimony.

The moral leadership, the financial leadership, and the setting of standards, that would help reduce the current problem in this country in which we have 50 different social service kingdoms. What we need is a national approach to saving these children, because they are the same children in Connecticut and in Alabama and across this country. So the National Government must play the leadership role.

On the other hand, I think that, as I said, the States must be financially invested in both the support of children and families in poverty, so that they will continue to be as invested as they are in helping those families move out of poverty.

In Connecticut, as the WIN program has been shrinking at the Federal level, we have invested each year significantly more State tax revenues into our Jobs Connection program, because we are committed to helping reduce our AFDC caseload and help move these families out. That financial mix is an important part of the element.

Mr. DOWNEY. Could I stop you there for a second. You recommended in your testimony, did you not, that appropriate application of program elements—remedial education, skill training, job search, job training, are 75 uncapped Federal——

Mr. HEINTZ. That is correct. I think that is consistent with the bill that Representative Levin and Representative Kennelly and Senator Moynihan and others introduced last year—the WORC bill. We think that you can't have the kind of success that we want to continue having, and the kind of growth in that success, if we have programs that are limited by appropriations and we have to turn people away from the doors.

Mr. DOWNEY. You would make these entitlements?

Mr. HEINTZ. In essence it would be an entitlement and that is an important part to meeting the obligations that the agency has.

Mr. DOWNEY. I don't want to be cute with you. Your State's investment is 25 percent and——

Mr. HEINTZ. On the work and education and training, that is correct. That is why we would probably argue for a larger State share of the maintenance costs in our proposal. The family living standard perhaps that you have suggested with 90–10.

One other point. We have looked at this devolution suggestion very carefully, and with a lot of interest, and before I was in human services, I served my Governor in the State budget office. That was during the earlier years of the Reagan administration, when the new federalism was still something that hung over the States' collective heads.

One of the things that we were concerned about with devolution, while that might in some ways help pay for activities at the Federal level, it may—and I just raise this as a concern—shift the tax burden to the State and local level, and it may become—there is at least a fear that it can become—a fiscal shell game in which we are still going to have to raise taxes, but it is going to be State legislators and local council persons who are raising the taxes rather than the Congress of the United States, and I think we need to be——

Mr. **DOWNEY**. What is the difference?

Mr. **HEINTZ**. That is exactly the point. I think that what we come down to is if we are to address this issue as well as to continue to meet other national concerns, we may have to increase revenue, and I think we ought to be up front about that and not necessarily shift the responsibility for doing that away from the most efficient source of revenue raising, which is the Federal Government.

Let me make one other point that struck us this morning as we were sitting in our office here in Washington and reviewing the President's speech. He made a very interesting point last night about what the Soviet Union has done to finance their massive buildup in arms and the suffering that has caused their people. It has forced many to wait in line for 3 or 4 hours to get their food, living without utilities as a regular basis.

I think we should ask ourselves, are we leading to that same kind of phenomena in our own country, because we continue, as the President has proposed, to have massive increases in spending for defense, and yet massive, or at least significant, reductions in spending for children and families.

Chairman **FORD**. Mr. Pease.

Mr. **PEASE**. Thank you, Mr. Chairman.

I would like to thank all of our witnesses for excellent and very helpful testimony.

I would like to make a couple of observations and then perhaps ask a question or two. I think Mr. Meyer made reference to the fact that the welfare system is often called a monster. I bridle at that a bit myself. I think the present welfare system does have some faults, but by and large, it works pretty well, and there is probably not a whole lot wrong with it that several billions of more dollars wouldn't take care of. So I don't feel quite the same imperative that other people do to scrap the whole system and go to something else, unless we are convinced something else is better than what we have now.

I was interested in President Reagan's comments last night, that more Americans are working than ever before. I think he quoted a figure to the effect that something like 61 percent of adult people are working.

That doesn't necessarily mean they were creating more jobs. For example, it might mean that we are driving more women into the work force; in other words, to help keep their families intact.

I was also interested in the President's recommendation for welfare reform that we go into demonstration projects by the States and the cities. If I were a Governor or mayor, the first questions I would ask would be: "Are we going to get to pay for it, too? Is it just another effort by the Federal Government to shift the cost back to local people?"

Another point that occurs to me is that we could spend the next 25 years with demonstration projects at the State and local levels, and the 25 years after that evaluating the success or failures of those projects, so I don't see that as a real step toward welfare reform.

I would hope as Senator Moynihan suggested that we have had enough experience over the years that we could feel confident in going forward with a new comprehensive program that affects everybody, that doesn't rely on demonstration projects, which, frankly, sound to me like a copout on welfare reform.

Those are just observations. I have a couple of questions. I would be interested in your comments about why it is that we have to involve the State and local governments at all in basic supports for children.

It has been said that Social Security works well. In my office we don't get very many complaints about Social Security. By and large, it works well.

SSI, we get practically no complaints about, and yet on welfare we have got the Federal Government involved, the State government involved and the counties.

You know, we have a lot more than 50 different welfare systems. Within my State, for example, we have 88 different systems in the counties. Some of them are operated well and some are not. In some of them, political patronage is alive and well, and others it is not. Moreover, in my State, there are 88 different county welfare directors interpreting the States' interpretation of the national rules on welfare. I just wonder fundamentally and philosophically whether there a reason why we couldn't or shouldn't go directly to a Federal system that essentially bypasses the States, or at least the local government?

Mr. **Meyer**. I guess I would favor keeping State and local governments involved for the following reasons. I think we need to distinguish between eligibility criteria and benefits, on one hand, and administration, financing, and delivery of services on the other.

I believe we ought to have much more uniform standards for eligibility, and as the Senator pointed out, a more universal entitlement system, instead of the unconscionable variations we have now, but I still think it is possible and important to have State and local governments experimenting with new and improved ways to deliver services and to finance them. A good analogy is in Medicaid, which I am a little more familiar with than ADFC.

The States receive waivers from the Federal Government which, by the way, are done right as opposed to a couple of paragraphs that we hear from the administration, saying there will be demonstration programs. These waivers are authorized under Federal law, from the Federal Government to States, to experiment in a structured environment with new ways of paying for Medicaid that involve risk sharing arrangements with providers, higher fees to draw doctors into the program, but yet arrangements under which these doctors share some of the risks of cost overruns with the Government. Under both Medicaid and AFDC, what works in one State may not work as well in another.

The advantage of this experimentation is that we can learn something, through a pluralistic set of demonstration projects, about what approaches really help move people out of welfare and under what conditions. We need some administrative flexibility to get the right mix of benefits and work obligations to move people into productive employment. But, my fear is the same one as yours, that this very helpful notion of demonstrations will be abused and will be treated as a Trojan horse; once you buy into that, you look around and it is a cover for a Federal exodus, and that I would strongly oppose.

Mr. **Fersh**. I wonder if I might offer a comment as well, Mr. Pease.

I very much share concerns about what I assume you mean by your current line of questioning. When I first came to Washington a number of years ago I was going to reform the welfare system. Of course, you would federalize it and set a minimum floor and it would all be done.

You might even do it through an income tax system. Perhaps through the school of hard knocks, I have been knocked down a little bit on that notion. I would thus like to offer a few comments.

One is that serving low-income people who are not elderly is a little more difficult, a little more complicated than the elderly.

Their lives are not as predictable. They are more volatile. The need for service with a variety of kinds of supports, in child care and everything else, I think it makes it more difficult to serve them than the elderly.

It is just not as predictable. I think at some level there needs to be much more coordination of the services that local governments provide. I am all for Federal standards on benefits.

I think that is critically important, but when it comes to employment and training and trying to meet local labor conditions, you need to have some flexibility. If now we are looking at work and welfare programs that are going to be run by welfare departments as opposed to employment and training agencies, there is going to be the need to coordinate benefits, and delivery of those kinds of services.

I think that you are on to something in that the current system may be too atomized. Our county welfare departments, within any one State, vary dramatically from the standards applied by other county departments, and I do think we can coordinate better and we can coordinate better among Federal programs, so that recipients don't have to jump through so many hoops to get the array of services to which they are entitled. But, on the whole, I am not sure that setting up another Federal bureaucracy to administer the programs is the way to go.

Federal standards, Federal financing, Federal coordination, and leadership I think all that can happen, but trying to set up another Federal bureaucracy to try to serve the nonelderly poor I am not sure is the wise way to go.

Mr. **Pease**. Does anybody else want to comment?

Mr. **Heintz**. I would. Not to repeat again what these other able panelists have said. On the issue of demonstration programs as a way of finessing national welfare reform, I think it should be avoided at all costs.

On the other hand, I think the system we design to replace the current one ought to be flexible and dynamic enough so that States can be responsive to changing social conditions within their borders, and that means a combination of what Jack has said and a combination of the current ability for States to pioneer and become laboratories for social policies.

If we have more uniformity at the Federal level, more simplicity at the Federal level, one of the problems that we as administrators face is that we can't spend the time worrying about the big questions because we are so overwhelmed with the little ones—about tape matches with social security numbers, with IRS unearned income records, about the massive amounts of paperwork and verifications and reverifications and details that we don't get to ask the threshold question which is what is the crisis in your life that led you to the need for welfare.

And if we can simplify the system at the Federal level, and make it a flexible and dynamic system so it can be responsive to change and that States and localities can continue to experiment and yet still have a national reformed welfare system, I think we will have accomplished both goals, and we will have really not backed off the question, which I think the suggestion for further demonstration really does, so I would agree with you, Mr. Pease.

Mr. PEASE. You have all articulated the classic argument for a federal system of government. You have got State governments. They can try this and that, and if it works in one State it will spread to other States, and I don't disagree with that. I think it is a good idea.

But I look at the Social Security Administration, for example. They have offices in all of the major cities in my district. They are pretty darn well administered, and when it comes time to appoint a new director of the Social Security office, their standards require that person to be an experienced and trained administrator. But when it comes time to pick a new welfare director, the county commissioners get together and pluck somebody out of the air.

Sometimes they pluck the right person and sometimes they don't pluck the right person.

Mr. HEINTZ. I still feel in the air a lot of the time.

Mr. PEASE. I guess what you are telling me is that the current system, where there is a lot of diversity in administrative skills on the part of county welfare directors, is not so bad that you don't want to hang on to the advantage of the flexibility of the Federal system. Is that essentially correct?

Mr. HEINTZ. I think that is qight. I come from a fairly fortunate situation. We are a State administered program. We do not have county welfare offices. All of the regional offices that serve ouq welfare population are directly under the control of my department, so I have that advantage.

Mr. PEASE. What about that? Would we be wiser to require that the States administer the programs directly?

Mr. HEINTZ. I can't give you a real good answer to that, Mr. Pease, because I have not really examined how it works in some of the county administered States. I would say that my experience in Connecticut would tend to lead to that conclusion.

I think it is impossible to be responsible for a program if you don't have the authority for actually administering that program, and that is what you get in the State-county mixed kinds of programs. If there is a problem in one of our districts, I could call up that district director because he or she works for me directly, and we can resolve the issue.

If it is on a different level of government, it becomes much more complex. You can't get accomplished what you need to get accomplished. You begin to lose accountability. You begin to lose the ability to monitor performance and hold people accountable, and you don't get as efficient an administration, but I say that only based on the experience working in that system and not really having seen the personnel in a county administrated system.

Mr. **Pease**. Does anybody else have any feelings on that point? One other question and I will make it quick, Mr. Chairman. Unless I am greatly mistaken, what the administration has in mind by welfare reform is making some changes in the system within the same dollars that are currently being spent, if not fewer dollars.

Mr. Downey has said that Mr. Russo on the Budget Committee thinks it will be hard to come up with additional dollars. Mr. Heintz, you said you are going to give us some suggestions on how to do that.

I guess my basic question is: If, as we go through this process of welfare reform, it is pretty clear that we can't get additional money and all we could essentially do is rearrange the current program, is it worthwhile doing that? We will be able to say that we have gone through welfare reform so that 2 years from now or 4 years from now or 6 years from now people will say, well, we don't need to deal with that. We have already dealt with it. If we can't put additional money into it, are we better off not doing it at all or shall we proceed and do the best job we can within current limitations?

Mr. **Heintz**. I will start.

I know other panelists wish to respond as well. I think that there are things that can be done and should be done, while the debate about additional dollars goes forward, and I think a lot of it has to do with simplifying program regulations, making, for example—if we are not ready, which we would urge that we should be ready to cash out food stamps, for example, if we are not ready to do that, you can certainly simplify and make more consistent throughout, the requirements for food stamps and AFDC.

We can greatly improve the management of the programs by beginning to coordinate the delivery of services so that you don't have the kind of maze that we have now that people have to navigate on their own and often don't make. There are lots of steps.

The contract process which we have proposed can begin. In fact, the State of Oklahoma is doing that as a demonstration of their own initiative to begin to test their own proposals. I think there are just a number of things that can happen that should happen while we also resolve the issue of additional dollars which are essential.

Mr. **Fersh**. If I may just offer a couple of quick comments, one is that, contrary to popular belief, current low-income programs are very well targeted. In my testimony, I cite a study by the current

Department of HHS indicating that 86 percent, I believe it is 86 percent, of all benefits going out in low-income programs go to people below the poverty line.

I know in the food stamp program, 95 percent of all recipients have incomes below poverty and they get 98 percent of all the benefits, so I don't think there is a lot of redistribution you can do within the current pot, that is reassigning benefits. People need to remember that.

I don't disagree with what Steve is saying about, sure, we can work on the edges for better administration coordination and that will help a lot, but it really won't address the underlying issues we are talking about today. You cannot do it without additional resources. The money is now well spent.

We find that the way programs are administered are a problem. I have read studies in which State administrator after State administrator, and local administrators, talk about how they no longer provide services to clients. As Steve is saying, they have no time for that. They have become bookkeepers and accountants. They are worried about quality control sanctions. They are worried about how the public is going to measure how well they look at every dollar spent, and you have people whose lives are very volatile, low-income people whose addresses, family size, incomes, change regularly, and we are trying to monitor them and make sure that they don't make an error more than 5 percent of the time.

What we have come up with is a system that no longer serves people. We believe that, for instance, a million or more people should be on the food stamp program now than are currently being served. In other words, given the current poverty rate and unemployment rate, participation rates are very low. What we are hearing from all around the country, it is the paperwork; it is the bureaucracy. We don't process things. We are under such pressure to make the programs accountable that when in doubt, we delay or deny benefits.

I suspect that applies to other social programs, so I do think that even if you do not get funding, more funding, there are a lot of positive things we can all work on, coordination of programs, provide some leadership to provide services, not just accountability.

Ms. **Marano**. While I would echo the desperate need for increased funding, I also think that there are things that must be done during this Congress, even without additional funding. In the work and employment program arena, if you don't take leadership, a lot of punitive, noneffective and basically wasteful programs will be developed. It is my belief that you have got to take leadership in that area. However, once again, it can't be done well without an investment of dollars.

Mr. **Heintz**. Could I just make one quick point on that, Mr. Chairman?

Chairman **Ford**. Yes.

Mr. **Heintz**. I think the committee should not make the decision about money first.

Ms. **Marano**. Yes.

Mr. **Heintz**. Let's make the decision about what is the best program, and then generate the debate about can we find the dollars to pay for it, because if we allow ourselves to make the decision about the money first, we will never design the right program, and we will never have the impact we want to have.

Ms. **Marano**. Similarly, I believe that there is a greater consensus across the country that welfare reform is important, and if the country believed it could be done well—if we could get excellence into our programs, there would be more public support.

Chairman **Ford**. Mr. Matsui.

Mr. **Matsui**. Thank you, Mr. Chairman.

I first of all would like to ask for unanimous consent that my opening statement and that of Mr. Andrew's be submitted for the record.

Chairman **Ford**. Without objection, it will be submitted for the record.

[The information follows:]

CONGRESSMAN ROBERT T. MATSUI

Opening Statement
Before the Subcommittee on Public Assistance
and Unemployment Compensation

January 28, 1987

Today I'd like to welcome our panelists and thank them for their efforts in working to make the goal of "freeing individuals from welfare dependency" a reality. However, the manner in which our panelists suggest accomplishing this goal and the proposal that the President has suggested will achieve the same results are as different as night and day.

Our panelists suggests that our goal of self-sufficiency and strengthening the american family can be achieved through our commitment, investment and recognition of a mutual obligation---an obligation that exists between recipients and providers as well as between the state and federal governments.

The goals of welfare reform should be to train people to become more independent of government assistance. The Reagan approach is to make people more independent by eliminating assistance altogether. The Administration's proposal ignores the factors of commitment and investment and instead signals a retreat from responsibility.

Once again the Reagan administration has proposed shifting the burden of helping the poor to the states with no guarantee that the states can pick up the tab. New federalism is again the tattered euphemism for cutting federal aid to the poor.

If we are serious about strengthening the american family and assisting individuals to become self-sufficient, we must offer real opportunities and assistance to achieve this goal. Let's not fool the American people and claim, as the Administration has, that workfare is welfare reform.

I am particularly pleased to welcome Stephen Heintz, Commissioner of the Connecticut Department of Income Maintenance. I have had the pleasure of working with Stephen and the American Public Welfare Association over the last 10 months as the Steering Committee pursued developing their report "A Matter of Commitment". I commend the Commissioner's Report and know that Stephen will offer our Subcommittee some valuable suggestions that will greatly contribute to our development of a legislative package.

I would also like to welcome Bob Fersh of FRAC. I wholeheartedly endorse the FRAC Statement of Principles and believe that it is within the guidelines of these principles that our subcommittee must shape our welfare reform package.

U.S. CONGRESSMAN

Mike Andrews

NEWS RELEASE

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Melissa Skolfield   January 28, 1986

STATEMENT OF HON. MICHAEL A. ANDREWS

HEARING ON WELFARE REFORM

UNEMPLOYMENT AND PUBLIC ASSISTANCE SUBCOMMITTEE

JANUARY 28, 1987

I am pleased to be here today, as one of the newest members of this subcommittee, to address the important issue of welfare reform. It is a topic that is now high on the national agenda, as it should be. As both the Speaker of the House, Jim Wright, and President Reagan have confirmed in recent speeches, the state of the welfare system can no longer be ignored.

One simple but compelling reason why welfare reform is so important is that it affects so many people. In America today, 11 million people, mostly young women and children, receive some form of welfare assistance. One child in four is born into poverty in this, the richest country on earth. Two million adults in America work full time, yet still remain poor.

Welfare reform is important also because the way America treats our poor is the clearest measure of our shared values. Our constitution, now 200 years old, promises life, liberty, and the pursuit of happiness to all Americans. Not only those Americans who are wealthy, not only those who are educated, not only those who are successful -- but all Americans. How to provide these common goods to those on welfare is what we will discuss today.

As we begin these hearings, we must admit honestly that we are losing, not winning, the war on poverty. Between 1976 and 1986, the real value of AFDC benefits declined by 33

- more -

percent. At the same time, America's commitment to providing job training to those on welfare has also been declining. The Work Incentive program, or WIN, for example, was funded at $365 million in 1980. It has dropped to a current level of $103 million.

As we approach a solution, there are some points on which a majority of us agree. First, we agree that we must find welfare reforms that promote family stability. In many states, including my own, welfare is provided to single women with children while equally needy two-parent families are excluded. This system promotes family breakdown and ignores the reality of chronic unemployment. We must find a new, cost-effective welfare system that will promote family stability, not discourage it.

Second, we must make education, training, and work the cornerstone of reform. While providing food stamps, income, and housing to needy families is a worthy goal, we must not let welfare become a habit or a trap. Approximately 37 percent of adults who received AFDC benefits in 1984 also worked at least part of that year. This is encouraging as a measure of welfare recipients' desire to work, but with job training and basic education, the percentage who use work to escape the welfare system could be much improved.

Less than 10 days ago, our nation celebrated the birthday of Martin Luther King, Jr. with a national holiday. That holiday revived memories of the 1960s, when the promise of civil rights was fulfilled and the promise of prosperity also seemed within reach. Today, in a time of growing federal deficits, optimism does not run so high. But we must remember the dreams of activists like Dr. King if they are ever to be realized.

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The questions we seek to answer today are broad and difficult, and I admit that I have no easy answers. I am pleased, however, that this subcommittee, this historic 100th Congress, and this Administration, have at least committed themselves to addressing the welfare issue and tackling its complexity.

I look forward to hearing the testimony of today's experts, and continuing these important hearings.

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Mr. Matsui. Thank you.

I would like to thank all of the panelists today for their testimony, and the chairman and of the other members. I think this is one of the most outstanding hearings we have had in terms of giving us some direction on developing welfare policy in this country.

The dilemma that I have, I think that Mr. Pease underscored it and your answers underscored it as well, is, how far do we go? As Mr. Moynihan testified earlier, I became enthusiastic because he was talking about a major restructuring of the program, and I think that he will have a lot to say about that. So in terms of the direction Senator Moynihan would like to take, I think you could see major restructuring as a possibility.

At the same time, many members of the Budget Committee probably feel a need is there, but they don't have the resources in order to pursue a major structural change. What strikes me about this panel and others that I have heard from, is that a major structural change is essential, if in fact we want to make the system work and help people get off welfare, to the extent that they are able to work in the system today.

That is an elementary question that all of you are going to be having to help us with over the next few weeks and months in determing how far we are really going to go. And, Steve, I think the comments you made to Congressman Pease may be the way we ought to go.

First let's structure the program and then find out where the money is going to come from. I know that Jack Meyer has been working with ways to come up with some money to assist people in another area of welfare, the SSI recipients. Maybe we are going to have to pursue it in that direction.

I am not going to get into the area of the work training and independence issue, because I think that has been discussed.

I tend to agree with you: national standards, the unemployed parent issue and work training, are all absolutely essential for any major program. However, one area that I would like to address and deal with for a moment is those people who are not able to move into the work force, essentially those people who are senior citizens, and the disabled.

With respect to the senior groups, many people have this misunderstanding that they are taken care of now since the poverty rate has dropped from 25 percent in 1964 to 12.5 percent today. But we still find that probably 75–80 percent of them are only at 125 percent of the poverty line, and the greatest area of poverty among seniors is the single widow who is over 65 years of age.

No matter what we do, I doubt very much if we are going to be able to offer her or an individual like her sufficient education and training benefits so they can move into the work force and work.

We all know that SSI benefits are woefully inadequate and Chairman Ford has been working on improving, them over the years. In fact, SSI benefits have been decreasing in terms of real dollars over the last 10 years by some 25 or 30 percent. How are we going to deal with this group, and should we deal with this group in the context of overall welfare reform?

Perhaps, Jack, would you like to discuss that first?

Mr. **Meyer**. Yes, I think it is important that we do, for a couple of reasons. One, I want to cut through this young versus old rhetoric There are needy in both age groups, as you well know.

It is going to cost a little more money to help the elderly and disabled, but I think that we must do it. It doesn't raise the terribly troubling work/welfare issues in most cases.

The first thing we have to do, it seems to me, is increase participation among those who are eligible for SSI. In the study that I am just about done with, our simulations show that about 49 percent of the people eligible by virtue of age participate in SSI and about 55 percent eligible by virtue of disability participate. In other words, about half of those who are poor and eligible don't participate, and I don't think the Government has made much of an outreach effort other than an occasional notice in a Social Security check.

I might add that the troubling part of this is that SSI and AFDC, as you well know, are tickets to Medicaid, so not only don't these people get cash assistance, but also they are screened out of Medicaid, and that might set up a recommendation following along what Congress did last year to uncouple Medicaid eligibility somewhat from these cash assistance rules and thresholds.

Second, we have got to increase benefits somewhat. This is particularly a problem for singles, and as you mentioned, older singles. Their benefits are about 75 percent of the poverty line; for couples, it is about 90 percent. That is a heck of a lot better than the nonaged, but still insufficient.

Third, the asset test screens a lot of people out, and it has been nudged up in a series of adjustments made by the Congress, which are helpful, but it is still very low. It will be $2,000 at the end of that series of adjustments, and we could do better than that.

There are a variety of arcane accounting rules that I won't go into now, but suffice it to say that your income gets docked in weird ways that screen you out of eligibility, such as moving in with your family, which docks your benefits quite a bit.

Finally, I would say in terms of eligibility criteria on disability, we have some anachronistic and unfair criteria, such as needing to show there is no job anywhere in the national economy you could take; this may be appropriate for DI, I don't know. But, certainly it is not appropriate for an older disabled person to say that they can get benefits only if there is no job available for them anywhere in the economy and they are disabled. This needs to be updated and modernized; I also think we need much more emphasis on rehabilitation. Our system is too skewed towards income maintenance.

In other words, the premise of your question is correct. There are a lot of people who can't work. On the other hand, we deem a lot of people as not able to work who might be able to work if there were more emphasis on rehabilitation and less on income maintenance. Some could do limited types of work.

I think a package like that, including benefit increases, efforts to increase participation, and updating our eligibility criteria is needed. We will have some cost figures in the very near future. You could put together a very good package for about $6 billion, and that ain't hay, but, as you said, there are several ways it could be financed.

Mr. Matsui. I don't want to know right now. Mr. Pease was mentioning that it costs the same as the Strategic Defense Initiative, about $6 billion. We might want to look at that.

Mr. Heintz. The strategic domestic initiative.

Mr. Matsui. Right. Again I want to thank you for your testimony.

Steve, I would like to just commend the APWA for its very innovative approach. Your organization has really taken some risk in coming out with some major changes and recommendations, and I want to commend your organization.

Mr. Heintz. Thank you very much.

Chairman Ford. Mrs. Kennelly.

Mrs. Kennelly. Thank you, Mr. Chairman.

Mr. Chairman, I would ask if I could put my opening statement in the record.

Chairman Ford. Without objection.

[The statement of Mrs. Kennelly follows:]

CONGRESSWOMAN
BARBARA KENNELLY
REPORTS

FOR IMMEDIATE RELEASE
January 28, 1987

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OPENING STATEMENT
PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION
HEARING ON WELFARE REFORM
JANUARY 28, 1987

Mr. Chairman, thank you for calling this hearing today, and for assembling this impressive array of witnesses.

The AFDC program has come in for a good share of attention, even criticism, recently. But there seems to be general agreement on one point: now is the time to make changes in AFDC. I believe this Congress has the expertise and commitment to remedy AFDC's problems this year.

In my view, the program has failed on two counts.

First, welfare has failed to lift children out of poverty. When one child in four in this country is poor -- and, it must be emphasized, poor after AFDC benefits are counted in family income -- welfare cannot be considered a tender trap. Plain and simple, there is nothing tender about it.

Second, welfare has failed women. AFDC may not have been designed to hold down women down, but just as surely, it was not designed to help women reach their full potential as providers for their families, alone or with their husbands. For millions of American women -- particularly young ones -- welfare provides bare sustinence. But it does not provide the education and job training that are avenues to self-sufficiency.

We can and must do better. And we should not wait for five years of ill-defined experimentation as recommended by the President. The reports and studies by the experts here today and so many others in and out of government give us a good idea of where to begin.

First, individuals receiving welfare must make a commitment to self-help. Each adult recipient and each state family assistance agency should develop a concrete plan for maximizing self-sufficiency, through earnings, child support, and agency assistance where necessary. Self-help must be the first concern, not an afterthought.

Second, every agency must encourage, not hinder self-help. Every state should have a program to assist two-parent families as well as single parents. Every state should have a decent system of work, education and training opportunities. Transitional child care, transportation, and health care assistance must be provided. There must be adequate, dependable financial aid at levels that meet basic needs.

If we take this approach, we can develop a good welfare reform package that will establish a new sense of mutual obligation on the part of the recipient and on the part of the agency. As we share the values of strong families and healthy children, so should we work together to achieve these goals.

Mr. Chairman, we are all full of good intentions about welfare and poverty. I am well aware of what road is supposely paved with good intentions. But combined with consensus on needs, and general agreement on approach, good intentions this year may pave the way to welfare reform. Thank you very much.

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Mrs. **Kennelly**. Thank you.

I want to thank the panel. I know we have just begun to scratch the surface of what you know, and you just have so much information there.

I thought, Cindy, you were going to say that if we didn't take leadership, there would be other waste. There would be wasteful programs. But it is my concern that for the first time in this country we are going to have an underclass of children. I just wonder if the American public realizes this, that for the first time a child can be born and not have a chance to do all the things we thought an American could do, because of living below the poverty level, living in a society where it is just not going to work out. Right from the beginning, we know.

Let me be the devil's advocate for a minute. Congress has been concerned about welfare dependency for 30 years now. We have had self-support provisions. We have had fresh-start amendments in 1956 and 1962. We had our financial work incentive in 1965. We had WIN in 1967. Each time there was an unanimity of thought between the Federal Government and the States, and it was an idea that the States would try to do it. They didn't know about implementation but they would try, and everybody went off and felt pretty good about things. Of course there was then disappointment.

What can you say that makes 1987 different? Why do you feel we can do it at this time? I know Senator Moynihan well and I know he thinks we can do it. I think some of us feel the time is here but I still haven't convinced myself that there is something different going on. I was wondering about this.

Mr. **Heintz**. Let me try first. I think that we all have had the kinds of experiences and frustrations that you have very well pointed out, the fact that when the Social Security Act was adopted 50 years ago, we made a major impact at that time, and we did help significant numbers of the American population who were suffering profoundly, to move through that experience of suffering, and into a new day and self-sufficiency.

During the war on poverty in the 1960's, and the late 1970's, we did see dramatic impact in a lot of areas of reducing poverty and helping to bring people into the main stream.

I think that what happened was that as we got into the 1970's and 1980's, we began to lose faith with the process to some degree as a country. We ended up spending our resources and expending our energies and our intellectual skills, even our commitments, to other things.

Also the problem became different. I think, as Senator Moynihan so very well pointed out in his testimony this afternoon, the nature of poverty has changed dramatically since the 1960's, and that is one of the major things that gives us some hope in essence, because I think what we are seeing here is that the states in particular, from my somewhat biased perspective, have now been able to really understand better what the nature of that poverty is, to begin to accept that women in the work force is much more the norm than it is the exception, and that it is all right to begin to work with welfare women to help them become part of the work force as well, when in the 1960's that concept was not so well and so universally accepted.

I think that one thing that gives me a great deal of hope personally, Representative Kennelly, is the process that I have been through in the last year with my colleagues. These are an extraordinary group of state welfare administrators, unlike anything I had expected to find when I became one myself 4 years ago. They are enormously bright. They are not people who are rooted in any particular tradition. They are not all social workers who are wedded to traditional models of social work and the therapeutic model of social science. They are people who come from financial backgrounds, planning backgrounds, budget backgrounds, human service backgrounds, business backgrounds, who have talent, energy, ideas, and staying power to make things happen, and that is what gives me a lot of faith.

That is why we were able as a group to argue so strenuously among ourselves, because of the different philosophies we share, and because of the different political organizations in our states, and yet come out at the end with a consensus report that I think we also have the capacity now to go and implement and make happen.

It is a matter of commitment, as we call our project. It is also a matter of capacity, and I think the capacity exists as well.

So I am as enthusiastic as Senator Moynihan, perhaps even more so, and I am delighted with the kind of reaction from this panel and the leadership, Chairman Ford, that you have shown and this panel has shown, being willing to take the risk to begin to take a look at these issues. I think we have got a landmark, watershed opportunity here that we must move forward in and take advantage of.

Mr. **Fersh**. I think it is important to keep the sense of history that you mentioned. I have in front of me poverty estimates from 1959 and on. I think it is important to remember that in 1964 we had 36.1 million people in poverty, then in part because of the Great Society programs, poverty drops off dramatically. In 1970 it was only 25 million people, by 1973 only 23 million people, which appears to me to be about the historic low.

So we had some success, some of those approaches were correct, there needed to be a falling out to reevaluate what we were doing, and I think in some ways we got complacent and some ways gave up working as hard as we could. Reports of scandal, I think were given weight far beyond what they should have at the time. I think what happened is that now that we are back up over 33 million people in poverty. The period between 1980 and 1984 is the highest 5-year period of poverty since the mid 1960's. People are now outraged again and I think we are ready to move forward seeing that it is intolerable, and we are a lot wiser, we do know approaches that will work. It is true the budget situation makes that much more difficult, but I wouldn't want there to be any implication we haven't learned a lot and there are not approaches that can work.

A lot of us come to this table with notions and confidence that something can be done. We have different notions. I have some concerns about Senator Moynihan's ideas, as usual he is well worth listening to. I don't know how far child support can take us. I don't know how many men are out there who can pay enough child support to make a difference. I hope there are a lot. But I just think that now we are at a stage where we need to renew some of the older approach, combined with——

Mrs. **Kennelly**. May I comment. When you talk about that, I get concerned. I worked with the child support law and I saw those six and seven States that were doing their job, we did the improvement on the law, and those six or seven States are doing a better job, but we are still having a lot of trouble. When you talk about a benchmark or a base figure, I just wonder won't that be a base figure, then we won't see improvement in the States that seem to refuse to do their duties in the Social Security areas.

Mr. **Fersh**. I don't follow the question about benchmark.

Mrs. **Kennelly**. You suggested, I believe, you were the panelist who suggested we have a baseline for a subsidy payment for the poor.

Mr. **Fersh**. Yes, I think all of us are pretty much in agreement on that.

Mrs. **Kennelly**. And with your experience, particularly Steve, across these United States with the welfare commissioners, you think that won't just allow certain States to have that minimum and not do any more, you think they will continue to improve.

Mr. **Heintz**. Our suggestion would be that while we do establish the individual family living standards in each State, that in the phasing in of benefits at the full 100 percent of FLS, in the first year the States would be required by law to maintain the level of effort that they are currently contributing, and that their level of effort be increased each year, by a certain percentage, which we are looking at various options for.

You are absolutely right, if we simply say there will be a Federal floor, for example, and don't go beyond that in the legislation, then there is——

Mrs. **Kennelly**. I missed that.

Mr. **Heintz**. The fear of withdrawal of the States' participation.

Mr. **Meyer**. I have a sense that what is different now is that it isn't just conservatives that are concerned about socially irresponsible behavior.

Mrs. **Kennelly**. You are talking about us.

Mr. **Meyer**. By the same token, it is not just liberals that are concerned about children in poverty and inadequate benefits. There is a sense out there, I find that you need both to get tough with people who are not fulfilling parental or other types of obligations, and at the same time give a helping hand to those who are.

A lot of people are doing everything for their kids and they need some help. It is not so easy to divide up the players any more and what I find is that while often in Washington the rhetoric is left versus right, out in the States, they are experimenting, you would know this better than I, with practical mixtures that are not so easy to label, a little of that, yet there are some work obligations there——

Mrs. **Kennelly**. That is work I think we liberals have learned there has to be an obligation there or——

Mr. **Meyer**. It is not always fulfilled by working, sometime it is by raising children, or in a combination of the two, but it is no longer possible to tar liberals with that any more because they are saying yes, you are right, I saw that TV show, the person that impregnated four girls, walked away and didn't make any support payments, and that bothered me, too.

So, don't tar me with that. I am willing to go with you on that. Look at this kid here that is receiving one-fifth of the poverty line. I think if we bring those two points together we could maybe get something done.

Ms. **Marano.** I think another element that is somewhat different now is that we are hearing from AFDC recipients around the country that the systems that we thought should be working for them are not effective. They want to have a different kind of employment and training system, one that can help to move them into gainful employment. While AFDC recipients who come for services certainly would not support mandatory work requirements they are all volunteering to participate in programs that will help them to become employed and make a decent income.

Mrs. **Kennelly.** You wouldn't require mandatory work requirements?

Ms. **Marano.** No, I would not.

Mrs. **Kennelly.** Thank you for your excellent testimony.

Chairman **Ford.** Mr. Donnelly.

Mr. **Donnelly.** I have a series of questions but the time is running a little bit late, so I will only ask one.

Ms. Marano, you mentioned in your testimony your concern about the inadequacy of the current minimum wage. I have a two-part question. One, if it is inadequate, what should the minimum wage be, and two, is an increase in the minimum wage a necessary component to make welfare reform successful?

Ms. **Marano.** I am not prepared to tell you today what the minimum wage ought to be. I think what we have to——

Mr. **Donnelly.** Any of the other panelists?

Ms. **Marano.** Perhaps another panelist is ready to state a figure. I think we have to realize that the minimum wage has been stagnant since 1979 and that with large numbers of jobs being created at the minimum wage level—we are going to have to deal with minimum wages if we are to affect poverty. Whether the minimum wage needs to be part of an overall welfare reform within the 100th Congress I am not prepared to say today, but I think it is a key part of economic recovery.

Mr. **Heintz.** I don't have a number for you and we have not recommended an increase in the minimum wage, but we would say that is something that really deserves careful consideration. Our program would include at the full implementation wage supplementation, because we agree with principles that my colleagues have pointed out, that work ought to be rewarded adequately and that there ought to be an ability to support families through work, and if the wage isn't high enough, we ought to continue to support people so that the family is supported decently and adequately.

So any increase in the minimum wage obviously would reduce to some extent how much wage supplementation might have to occur and some mix between the two is probably appropriate.

Mr. **Donnelly.** Thank you. Let me say for the record, Mr. Chairman, I come from Massachusetts. I know a little bit about the ET program, and I think it is important for people to understand that there is a unique set of circumstances in Massachusetts that made

ET successful. We had an overheated economy that created a job shortage. We had a unique set of political and economic circumstances that served both the private sectors and the public sectors self-interest to make this program a success.

We have a very strong and composite population base. These sets of circumstances aren't necessarily all over the country, and it is my impression that it is going to be extremely expensive to create an ET program with the success that we have had in the short time that it was implemented in Massachusetts.

Success does breed success, and I think such a program is workable. But without those set of circumstances that we had during the course of the last 2 years, the Federal and State role fiscally is going to have to be substantially greater than it has been in Massachusetts. We will have an opportunity to have some folks who are in the Commonwealth as I understand; we can pursue that further at a later time.

Thank you.

Chairman FORD. Thank you, Mr. Donnelly.

That concludes the members of the subcommittee. Mr. Sander Levin, who is a member of the full committee on Ways and Means, made a request to the committee early on to be a participant as we move through the welfare reform hearings and also maybe with some of the markup session. At this time, I would like to say, Mr. Levin, we are delighted to have you as a participant, and a strong member of the Ways and Means Committee, and a new member of Ways and Means. We are delighted to have you, and we recognize Mr. Levin at this time.

Mr. LEVIN. Thank you, I especially appreciate the chance to participate because of the excellent panel. Let me skip all the other questions and kind of finish with one. It is a followup in a sense to Barbara Kennelly's question.

We have now had a few months of a new spurt of interest that I think surprised even the people within the field, and the State of the Union Address. If you had to pick out one factor, what do you think is the greatest barrier to action this year?

Mr. FERSH. Besides the budget?

Mr. LEVIN. You would say money?

Mr. FERSH. I do. I think that just makes it difficult for these conversations to occur. I think it makes it tough to do what Steve recommended, which is think about what is right. Right away people think about dollars. I do think, however, and I don't want to poison the atmosphere, there are some substantial issues to be discussed, even amongst people who consider themselves to be advocates for the poor.

You heard Cindy say that she was opposed to mandatory work requirements. That is something we have trouble with as well. I do think Senator Moynihan is correct in that the advocacy groups, unlike 10 or 20 years ago, understand I think much more the need for employment, it is not welfare alone. But, so I think there needs to be that kind of healthy debate about what kind of employment programs, how do you involve free will as much as possible.

For me I do see a coming together of a lot of groups as part of what our statement of principles was about. It is not advocacy groups alone; we have got the League of Women Voters, Consumers Union, AARP. We have got a lot of unions and all sorts of other people have come together for what I consider to be a very progressive statement on welfare reform.

So I do think it is something that would be possible and the reason why we did this was to say there are a lot of people who feel there is something progressive and positive that ought to be done to alleviate poverty, particularly amongst children. I do think the resource question hangs a cloud over it, and I would urge that, although there is enthusiasm for now perhaps a major overhaul, that having been a Capitol Hill staffer for many years, that what you can get, if it is AFDC-UP, let's continue to work together on UP. That is an important incremental step consistent with whatever ultimate goal you want to go toward. Also get rid of disincentives to raise welfare, plant the seeds for future effort.

I think the one failure of those who sought welfare reform in the past was that was too much of an all or nothing proposition. There have been important small pieces enacted the last few years in Medicaid, in food stamps, other social programs that are making a difference, and I think that it is important to keep in sight that while we ought to have an overall program, we should take what we can bite off, small pieces if we have to.

Mr. **Heintz**. I would urge that we fall back to those positions if necessary after we have debated and fully explored a comprehensive reform, and I would offer another answer to your question, Representative Levin, what is the greatest barrier. I think the answer may be the White House. I was terribly disappointed that in the State of the Union Address 1 year ago we were promised a major administration initiative in welfare reform which struck me as a very positive thing. In fact some of the rhetoric used by the President is not dissimilar to some of the rhetoric we have used at this table today, and what I hoped for was Presidential leadership on the issue, like the Presidential leadership that existed on tax reform, which then allowed the kind of national public debate of the issue to occur.

The tax reform bill that you passed and the President signed is incredibly different than the tax reform bill he proposed, but he still maintained Presidential leadership on the issue and I am discouraged because I think that the Presidential leadership no longer exists when I hear of a White House proposal that States simply be given more authority to conduct pilot projects and demonstration activity.

Ms. **Marano**. I would like to add to that, that on top of what I think is really the biggest barrier which is the fiscal one, another barrier is that so many different kinds of ideas are being discussed under the rubric of welfare reform. Some of them are really about cost cutting and dealing with the welfare population in a punitive way; some are relevant approaches that sort of cosmetic mingling of ideas under the rubric of welfare reform can be very dangerous. We have to be sure that there are some points of real agreement from which we can move.

Mr. **Levin**. Thank you, Mr. Chairman.

Chairman **Ford**. Thank you, Mr. Levin.

Let me thank each member of the panel for your excellent testimony. I am going to reserve any questions that the Chair might have at this time, but would ask from each of you to respond to any questions that might come from the committee during the course of the introduction of any legislation into the Congress or any markup session. We will hear from additional witnesses in the next 4 or 5 or 6 weeks, and after we have run out of time for witnesses, we might have occasion to submit questions for you to comment on certain provisions or components within a welfare reform package.

I think the responses to date have been superb, this is the 15th, 16th month that we have conducted sessions of this nature, it is the intent of this subcommittee to move forward with a welfare reform package. I didn't necessarily like everything I heard about welfare reform from the President last night but at least he is on course, he is talking about welfare reform, and he talked about it in the last State of the Union Message. He is not the only one that is focusing now on the issue, and I would hope that it will be the intent of this Congress to move a welfare reform package. To what degree and the cost and the revenue of a welfare reform package, I don't know.

The staff has been looking at it, I am going to be talking with committee members and our other colleagues in both the House and the Senate, and seeing whether or not we can fashion a bill in the coming weeks that can move through both Houses of the Congress and pick up some support from the White House as well.

Once again, the subcommittee would like to thank the panelists for their testimony today, and thank you for your appearance.

That concludes the business and the Chair will provide notices to the members of future meetings. The subcommittee now stands adjourned.

[Whereupon, at 3:45 p.m., the subcommittee was adjourned.]

WELFARE REFORM

THURSDAY, FEBRUARY 19, 1987

House of Representatives,
Committee on Ways and Means,
Subcommittee on Public Assistance
and Unemployment Compensation,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:08 a.m., in room B-318, Rayburn House Office Building, Hon. Harold Ford (chairman of the subcommittee) presiding.

Chairman **Ford**. The Subcommittee on Public Assistance and Unemployment Compensation will come to order.

The subcommittee today will hear from a number of our colleagues here in the Congress on the issue of welfare reform. Mr. Downey.

Mr. **Downey**. I have opening remarks, Mr. Chairman, and I would like to put them in the record so we can get on with the business of hearing Mr. Rangel.

Chairman **Ford**. All right.

Mr. Brown, Mr. Pease, Mr. Levin.

The Chair will also, due to the 10-minutes-past-10 hour—we will make sure that the Members do not have to wait—the Chair will also submit his opening remarks for the record.

[The statements follow:]

Opening Statement of Hon. Harold Ford (D., Tenn.), Chairman, Subcommittee on Public Assistance and Unemployment Compensation, Committee on Ways and Means

The Subcommittee on Public Assistance and Unemployment Compensation will come to order.

Today's hearing is an especially important one. It is our first opportunity, during this session, to hear testimony from our colleagues on welfare reform. I am pleased with the tremendous response I received from my invitation to Members and look forward to hearing from the nearly 20 Members who will be with us.

I also want to take this opportunity to announce that the Subcommittee has scheduled additional hearings on welfare reform. On Wednesday, March 4, the Subcommittee will take testimony from the Administration at which time we will learn more about the President's demonstration proposals as well as his two work proposals for AFDC recipients. On March 6th, 10th, 11th, and 13th, the Subcommittee will hear from public witnesses on welfare reform. I expect that an official press release announcing these sessions will be available later today.

Welfare reform is now on our agenda. It is our job to turn today's rhetoric into legislation that can make a difference. This morning, we take an important step in that direction by learning more about what our colleagues in the House think needs to be done. I look forward to an informative session.

OPENING STATEMENT OF REPRESENTATIVE THOMAS J. DOWNEY

I want to compliment the Chairman for calling this hearing. As we can see from the witness list today—made up of many of our distinguished colleagues—welfare reform is a subject of great interest to this Congress.

There has been a dramatic and welcome shift on the subject of welfare reform in the past few years. While many of us, who commit our resources and time to understanding the problems associated with the welfare system, put different accents on different syllables, we are at least now speaking the same language.

What is the vocabulary of this language we are speaking? It consists of words such as "work." Able-bodied individuals must not be denied the opportunity to contribute their skills to society. That means education, training, job placement, and support services must be available. It means that society and the individual must live up to their mutual obligations.

"Fairness" is another word in our common vocabulary. We must eliminate the incentives that force fathers to abandon their families. We must level the disparities between benefits that result solely from the State in which one happens to reside. We must provide affordable health care to those who live in constant fear that sickness will lead to inescapable and prolonged poverty.

As many of us in this room know all too well, we have visited this issue before. But, like friends just dropping in for coffee, we were here one moment and gone the next. Welfare reform cannot be a one-shot deal. We are taking on an incredibly complex area. Our efforts require eternal vigilance, continued experimentation, and boldness.

The common language we share on this issue results from past battles won and lost. However, the emerging consensus on the need to reform the welfare system—reflected in the reports of Governors Cuomo and Babbit, the American Public Welfare Association, the National Governors' Association, the Domestic Policy Council, this subcommittee and its Senate counterpart—cannot be allowed to flounder because we lack the political will to do the right thing.

I have my own ideas on how to reform the welfare system, ideas that I presented to the last Congress and will put in legislation once again in this Congress. In the next few weeks I'll be sharing my thoughts on this subject with my colleagues. Today, I look forward to hearing the views of our witnesses. Thank you again, Mr. Chairman.

Chairman FORD. At this time, the Chair will recognize Mr. Rangel of New York.

STATEMENT OF HON. CHARLES B. RANGEL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. RANGEL. Thank you, Mr. Chairman.

May I have permission to enter my remarks in the record.

Chairman FORD. Without objection, Mr. Rangel.

Mr. RANGEL. Mr. Chairman, I congratulate the members of the subcommittee, and especially your leadership in wrestling with this very serious and sensitive problem, the welfare reform. And I come here this morning, not just to raise all the problems that we have in proposals, but to show the Chair that even though I do not sit on the subcommittee, that I am very anxious to be working with you to see whether or not we can reach a consensus and to do what everyone agrees is necessary, and that is to reform the system.

The problem that we all face, of course, is that while everyone can support welfare reform, it means different things to different people. There are still questions in my mind, and a lot of people think reform is just kicking people off of the welfare rolls, while there are other people that believe everyone is entitled to a job regardless of their skills. And we have the responsibility during the roughness of our economic times to bring about some balance to the philosophy so that when people say that they support welfare reform, that they are able to support some type of a bill.

I was pleased to see that some of my colleagues were anxious to support part of the President's program in whole or in part because I took the President's proposal in the context in which his six years have indicated a lack of sensitivity to the poor and the near poor in this country. And it just seems to me that when the President talked about welfare reform, that he was restricted to thinking about some welfare mother in Los Angeles that drove some big Cadillac because I have never heard him bring any realistic proposals to the Congress.

Nevertheless, the President consistently has supported budgetary proposals that have cut domestic spending to such an extent that it has actually pushed people into poverty that normally would not be declared poor. And here we have an administration that says that we cannot raise revenues, we cannot raise taxes without selling national assets but, at the same time—wants increased defense spending by $22 billion and decrease domestic spending by $18 billion, and says that now is the time for the Nation to come to grips with the welfare problem.

Now I have looked at this, and it just seems to me that what the President is saying is the same thing that he said in housing, the same thing he wants to say in education, the same thing that he is attempting to say in health, and that is the Federal Government really should not be in the service of providing business; that basically local and State governments and nonprofit charitable organizations should take care of the poor.

And so he would want us to embark on a 5-year demonstration program where we tell the States to come up with some ideas by taking 99 Federal programs, putting them together, as to how we can better serve the needs of the poor. If indeed they reduced the services, that reduction would be oversighted by some vague White House committee, then they could pocket the difference. If indeed they provide benefits that exceed the cap, then, of course, there are no provisions for the Federal Government to give assistance.

It seems to me that once you realize that for most people that get on welfare it is a temporary situation and once you recognize that 40 percent of the recipients are infants or kids or people that cannot work, basically what we are talking about are people who are hard core welfare recipients, career welfare recipients, people that are without jobs, without hope, that live in misery, and people really who are basically unemployable.

And I do not know how we, and I am not saying you, because I am going to be there with you, I do not see how we can just take a look at these people and think that we are going to be smart and brilliant enough to provide some way, one, to get their attention and have them believe that we want to help; two, to give them incentives and access to training and educational experiences so that they would have skills to have employment.

I do not know how we get to the mayors and to the Governors and tell them that because these people are welfare recipients that now we are going to have to prepare for day care, for job placement, and create jobs in the public and private sector.

I know one thing, that with all we are trying to do and not doing for those people who are addicted to drugs in rehabilitation and job placement, we have got tens of thousands of more people who say why can you not give me a little attention? I have never abused drugs, and I dropped out of high school, and I am looking for a job, and I cannot even get a job at McDonald's. Nevertheless, when the President speaks, we respond, try to capture the public imagination, and move forward even with his targeted group.

I am telling you that these people have lived in houses that the welfare department designated for them; they live and are surrounded by people with the same problems that they have. They live in communities that do not have male images there because many of the communities have set up a system which gives disincentives to fathers to be involved in the houses. But, worst of all, they live in communities where there are no jobs, and certainly where there are no places to develop the skills, even to leave the communities to get the jobs.

So I would say that if we can just grab that part of the President's message, that is, we have to reform the welfare system, that I am confident that members of this committee, and I want to work with you, will be able to put in the necessary ingredients so that we are telling people that, yes, you are on welfare, yes, we want you off of welfare, but we are going to provide at least some of the basic tools that are necessary that you move not just off the welfare rolls, but you move in a position to make a constructive contribution to society.

I would like to say in closing, Mr. Chairman, that this idea of merging all Federal income supports into one system, I do not have too much of a problem with. I do not see the connection, of course, between college grants and educational grants, and the fact that the kids' parents are poor. But it is going to cause a lot of problems as the Health and Human Services and as the Education Committee wants to distance themselves from the stigma of being welfare. And personally I love it.

I have received more money under the GI bill than I ever had in my life. They sent me to high school, they sent me to college, they paid for my books, they paid the professors. I picked the most expensive university system in the country, and they gave me money to boot. But because I had a Purple Heart and a Bronze Star, I was not a welfare recipient, I was a disabled veteran. While welfare is welfare is welfare.

So if the veterans are going to say that they do not like being thrown into the same pot with the poor and disadvantaged, this would be a very interesting exchange. But whether or not it is going to help with our work, I do not know.

Thank you for the opportunity.

[The prepared statement follows:]

STATEMENT OF
THE HONORABLE CHARLES B. RANGEL (D., N.Y.),
MEMBER OF THE COMMITTEE ON WAYS AND MEANS,
BEFORE
THE SUBCOMMITTEE ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION OF THE COMMITTEE ON WAYS AND MEANS
UNITED STATES HOUSE OF REPRESENTATIVES
FEBRUARY 19, 1987

I wish to thank the Subcommittee for the opportunity to testify on the issue of welfare reform. The question of welfare reform has come up many times. It is constantly the subject of scholarly review and political discussion. Yet, the problems of the welfare system seems to have worsened rather than improve. We have a system with a substantial number of people, including altogether too many children, on economic maintenance without any hope of ever finding a way out.

It deeply troubles me that there are young people who are caught in the welfare cycle and we have not been able to find a way to remove them from it. Instead, they are mired down only to give forth to another generation of poor children trapped by the same ugly web. As Chairman of the Select Committee on Narcotics Abuse and Control I have seen one vicious result from the desperate poverty of many of these poor youths. All too often their despair leads to the snare of narcotics. And, if it is not drugs that shackles them, then it is the failure of our education system which leaves them unproductive in today's society.

Hopefully, this time we can reach a consensus about how to provide assistance to those who need help with the incentives that will lead them with dignity to self sufficiency. There are many things we must do to end this terrible plight. Welfare reform with a light at the end of the tunnel for the many Americans trapped inside is essential.

President Reagan has indicated that welfare reform is a major priority of his administration. As I was pleased that the President endorsed the concept that led to removing most of the working poor from the tax rolls, I am pleased that the President recognizes the need to reform this system that is bogged down in confusion, contradiction and despair. However, I am not necessarily in agreement with his approach to the solution.

It seems ironic that the President calls for a solution to the welfare problem that he has helped to create. During the so-called Revolution of Reaganomics we have seen less jobs created than during the six years prior to the current Administration. Worse yet, about one-half of these jobs pay less than $7,000 per year. That is less than 60% of the poverty line for a family of four. Many of the jobs created are part-time jobs. Hardly the type to help one avoid poverty or find a path out of poverty. During the same Administration we have seen budget deficits double our national debt while social welfare programs have been cut. The result has been high real interest rates, a drain on capital and a trade deficit that has robbed our country of thousands of high paying skilled jobs.

The President does not have a solution to the basic economic problem of the nation other than the same failing program and he does not seem to have a solution to the welfare problem except to pass the buck elsewhere.

He says that we ought to allow the states to experiment with any number of different approaches. He gives the states five years for these experiments. The states would be given broad latitude to develop programs with the money that Washington would now send to them in lieu of the program money they now receive. To ensure minimum national standards there would be some vaguely defined oversight from the White House.

My concern is that the problem confronts us today and we know what it is and we ought to address it now. Why do we have to wait five years? Can we be certain that in the President's experiment that the minimum benefits will be adequate nationwide? Can we avoid the real possibility that states will not direct funds for job training at the targets that are the core problem of the welfare syndrome, but at those only temporarily on welfare who would more likely find work without the aid of job training and search assistance? Are we certain that the states will appreciate the need of the welfare mother for training, day care, clothing and transportation costs before she is asked to work in lieu of AFDC? Will the programs in some states be more generous or liberal in demands in a way that will attract the needy of other states where the experiment is failing creating a problem we had two decades ago? I could go on, but in this brief testimony I just want to make clear that the President's program raises many questions about the whether it will address fundamental concepts that should already be agreed upon.

So, where do we stand as we try once again to make sense of our system of public assistance?

First, we need to make some sense of the nearly 100 different programs that exist to help the less fortunate. Any movement to consolidate these programs at least in terms of the poor being able to reach out for them in one coordinated effort will constitute a major improvement.

Second, whatever program we design it should have a bias toward cash transfers and not vouchers. Paternalism that gives the message to the poor that privileged society does not trust their judgment with money is demoralizing for the poor.

Third, we must reach the hardcore poor in trying to solve the most serious welfare problem. Of those families who ever go on welfare, half leave the rolls within two years and only one sixth stay on the rolls for eight years or longer. Those who are locked into welfare are those with whom we should be concentrating our efforts. I am not suggesting that we forget the others who encounter economic difficulties. We must also assist them in their efforts to return to self sufficiency, but it appears they manage to extricate themselves from welfare with the programs that now exist or without any direct government help. The long term recipients of welfare have the greatest barriers to employment and self sufficiency of any of the able bodied less fortunate.

We must reach these people through basic education and meaningful job training that can eventually take them beyond the minimum wage. Basic education is first. We must make sure that the welfare parents become literate and that they receive high school degrees. We must make sure that they learn marketable skills, how to get a job, how to manage on the job and how to keep a job. We must do the same for the welfare child; education, training, hope.

One program that already seeks to achieve part of that goal is the the Targeted Jobs Tax Credit. It uses the private sector to hire and train people from several targeted groups. It provides an incentive for the private sector through a tax credit for part of the first $6000 of wages. The program has been a success as thousands of people have been hired through it. For the young who have received their first job through TJTC it has provided needed job experience valuable for future job development. TJTC will expire at the end of 1988. We need to renew TJTC.

But, TJTC is not enough and neither is the Job Partnership Training Act. We will need much more than we have now to bring the poor into economic mainstream.

I am disappointed that in the year that all of America is crying that we must become more competitive, that the President is calling for cuts in the education and traininig budget. One of the great well springs of untapped potential for improving America's competitive position is the poor and their children. The room for improvement is enormous. The benefits could be manifest.

Once we have the poor working, we have to remove the financial disincentives to work. We must design assistance schedules that do not result in what amounts to confiscatory taxes as the welfare recipient turning worker begins to improve his income with a wage. Likewise, the earned income tax credit should not act to reduce a recipients' benefit. We have dropped the maximum marginal rate for the wealthy down to 28%. Effectively, the rate reducing assistance payments as a recipient's wage income rises should be at least as low and low enough to insure the incentive to work.

Similarly, we should not make it difficult to see any advantage in working offset by the costs of transportation or tools or uniforms.

We should not inhibit the welfare recipient from working by removing his or her families' health care protection. Either we have to keep the emerging wage earner on Medicaid longer than we now do or we must go forward with the effort to make health insurance available to all cannot otherwise secure it.

Where we are dealing with single mothers we must appreciate the need for day care and that we cannot expect all mothers to be able to work full time since most mothers who do work do not work full time year round.

Exactly how we accomplish our goal given some of the parameters we must agree upon is a task this subcommittee and others in Congress must begin. I only ask that you be guided with compassion and a desire to see the poor have the opportunity to rise up to self sufficiency with dignity.

I have reviewed the recent statements of the Chairman of this Subcommittee, Congressman Harold Ford regarding the subject of welfare reform. I believe he is leading the Congress in the right direction. I was proud to join Congressman Ford in cosponsoring his welfare reform proposal in the 99th Congress. I am sure from his recent comments that he will develop a similarly thoughtful and progressive proposal for the 100th Congress and I will be proud to join him again in fighting for welfare reform.

Chairman **Ford**. Thank you, Mr. Rangel.

You know when you were talking about that comprehensive piece, merging all of the programs into one, you cosponsored the Family Income Security Act in 1985 and 1986, you go outside of the welfare population itself. I am just wondering how comprehensive should we think in terms of a welfare reform package? Should we go beyond the 7 million children that you talked about who are recipients under the welfare system and pick up the other 5 million children who are not within the welfare population itself, although they are below the poverty thresholds.

I mean how comprehensive should we look toward the——

Mr. **Rangel**. Mr. Chairman, I do not think we have the option or the choices to do what we would want to do. We are working under severe restrictions, limited amounts of moneys, a President and a Congress that is unwilling to talk about increase in revenues, and so it just seems to me that we are just going to have to target it and see what we can do with those that have the least among us. And perhaps if we can have the courage to deal with that problem, maybe then local and State governments could learn ways to do and provide services in a better way.

Chairman **Ford**. You find it true that the State of New York, as well as I guess your local government, respond with their welfare programs somewhat decently compared to other States throughout the Nation. I have gone into a State——

Mr. **Rangel**. Why do you not finish your statement and say compared to other nations? Not States because, in New York State, the last thing on the legislative agenda is welfare reform. The last thing that we deal with is cost-of-living increases. And it is not done because it is the right thing. It is done because there is enough political clout and enough people who are concerned to bring about the balances.

But again, welfare payments should not be the issue. It is how many people have you gotten off of welfare that have not returned? How many creative programs have you got that provide incentives of the people who want to work, to continue to work, and to be able to raise a family with some degree of dignity?

So the fact that we have increased benefits to me is not the criteria that we should be using. The criteria is that we provide the incentives for people to develop the skills to have the jobs, to keep the jobs, and not penalize them by taking away health benefits, day care benefits, and other benefits merely because they reach some artificial ceiling that we have placed on their lives.

Chairman **Ford**. Mr. Downey.

Mr. **Downey**. Thank you, Mr. Chairman.

Charlie, can I ask you, since I do not think we have much difference of opinion on what we need to do, my concerns are about how we do it. I think that we are going to do welfare reform in the House, but I am afraid that we cannot do it in our committee alone, that we have to get Education and Labor in the act, and we are going to have the housing people on Banking and Finance, and I suspect Mr. Waxman's committee on Medicaid might be involved in some way if we look at a long-term care component.

Would you think about it—I do not want to spring this on you here publicly—would you think about the idea of doing what we did—I guess it was Tip who did it in 1978, you may have been part of it when Jim Corman was part of our Welfare Committee and the Speaker organized a committee that comprised other members of other jurisdictions so that we would not be heading off in one direction doing whatever we wanted to do, and somebody else doing something else. I mean I would propose that Hal be its chairman, and we will advocate that, but that we think about setting up a committee that crosses jurisdictional lines that has the legislative clout and the prestigious members so they can get down to business. That is the first thing that I would ask you to do.

Mr. RANGEL. Sure, it makes a lot of sense.

Mr. DOWNEY. The second thing would be the idea of this issue of revenue neutrality. I am not wedded to any idea of revenue neutrality. I happen to think that more money has to be spent for us to solve this problem. But that, it seems to me, is one of the other issues. If we are not going to do something in a revenue neutral way, whatever it is, we are going to have to be prepared to explain in a bipartisan sense why it is that we need to spend more money. My answer has historically been we are going to spend more money now because it is going to save us money later on, and I can prove that, and studies can prove that.

But those are the issues that I would hope that we could have you as one of our champions and one of our voices that we are going to wind up probably needing to have a committee that crosses jurisdictional lines. And if we are going to spend more money, we should be prepared to say that at some earlier time and try to bring as many of our Republican colleagues who are prepared to do that.

Mr. RANGEL. It has got to be a problem, Mr. Downey, because, as you know, as we received the President's trade bill which has all of the spirit of competition and how we are going to have to provide skills and be trained, there is no money in these bills either. And so I do not know where all this revenue neutrality comes in when you are increasing the Federal Government's promises to provide more services. But maybe if we could get the administration people in here and actually tell them that you cannot run around promising to educate.

We have got the problem in the drug bill. The President told the entire free world that one of his major thrusts is to educate our youth against drugs. And now he is cutting $150 million out of the 1988 budget, more than half of what is appropriated.

So I do not know how we do it, but I really think that we ought to have the House and the Senate, Republicans and Democrats, come together on these basic principles so that it does not appear that the President has given us a challenge and whispered revenue neutrality, and we ran away from it.

Mr. DOWNEY. Well, I quite agree. But my bill, which you are familiar with, does achieve some revenue neutrality by basically zeroing things like transportation, EDA and UDAG which the cities, you know, look forward to as they do, you know, in a new case of AIDS epidemic. So they are not excited about it. And I can appreciate that.

But I would much prefer to do something for the people that we want to do something for, and say to the cities, look, you are going to have to go to the States now and we are going to free up Medicaid and AFDC expenditures for you, and the States are going to have in partnership for you with other programs. In that sense, we are going to do more for the poor, but we are going to do less for the cities. Tough job certainly for you to sell and for others who come from urban areas.

But I think it is absolutely essential we do something about children. It is criminally negligent what we have allowed to happen in this country with respect to our children. And I think we all sense that the time has come to do it.

Mr. **Rangel.** I hope I do not sound too emotional, but I truly believe that it is a threat to our national security the way this younger generation has been educationally and emotionally crippled, and been placed in the position that not only they cannot defend or make a contribution to society, but they are a drag on society. And keeping them locked up in prisons certainly is not the answer in any community.

Chairman **Ford.** Mr. Brown. But beforehand let me announce that on March 4, the committee has scheduled the administration to appear before the committee so that the committee can hear testimony on the demonstration proposals that have already been fashioned.

Mr. Brown.

Mr. **Brown.** Thank you, Mr. Chairman. I appreciate the gentleman from New York taking the time to come and share his thoughts with us this morning.

I do not know as it will shock him that I hold a little different view of the last 6 years. It does occur to me that the 13 million new jobs for Americans in the last 6 years is a strong record. I find myself voting against the defense appropriation bills these last years because I thought they spent too much money and, to my chagrin, I found the majority of my Democratic colleagues voting for it. My recollection is that we have increased Federal spending 68 percent in those 6 years, not counting this year. Two-thirds of that increase was in nonmilitary spending. I mention that because while I deeply admire the gentleman and am delighted with his positive attitude on this subject, I do not find myself in a 100 percent agreement with him this morning.

The point I would like to explore is this: many people have focused on the potential of requiring recipients to be involved in some sort of training, educational, work, or job placement program as a quid pro quo for welfare benefits. Obviously that has to be limited to folks who are able-bodied.

But could you give us your view of that kind of requirement of being attached to some employment or training program?

Mr. **Rangel.** I think it makes a heck of a lot of sense, and I can say that easily because there are no jobs, and so you can put the mandatory requirements that do not really mean anything.

But let me say something to you about all of these job opportunities. You know, as commerce expands and the population expands, and there are more jobs available, I know you are not talking about the people that we are talking about today. These people do not have to train to take advantage of these new job opportunities that you talk about in the last 6 years, and our job is to make certain that if they are qualified and have the skills to take advantage of them, and do not do it, that we take them off the welfare rolls.

It would seem to me one of the things we tried to do in our community is that we go out to those employers and those industries that hire a large number of people, especially in the service industries, and we ask them to join with us in developing the programs that are necessary to train their employees so that we can do some of the processing.

I have absolutely no problem in making it mandatory that those who come to drink from the welfare well make certain that they develop the skills to get out of it as soon as possible. If they cannot do it, then get off the rolls.

Mr. **Brown**. I really think you summed up in a few words the potential for a very positive compromise.

Mr. **Rangel**. Still the problem is going to be, you know, at what stage does a mother give up her child and go to work and those other things. But, listen, as long as we are saying that you are prepared to say this person should have access to training and develop the skills to get a job, we could work out the details. And even if I lose this year, we can work out improvement for the next year. But do not just turn it over to the States and tell them whatever savings you have, pocket it towards your budget.

Mr. **Brown**. Yes; one of our problems might be in determining the child's age at which mothers would be required to participate, but I think people of good spirit can work that out. I agree with you. I think part of the problem would be finding seed money to make sure we have good training programs, good job programs, good educational programs. And I suspect that if we find a problem, it might be in that area more than——

Mr. **Rangel**. Well, I am anxious to work with you.

Chairman **Ford**. Mr. Pease.

Mr. **Pease**. Thank you, Mr. Chairman. I have no questions.

I just want to thank our colleague. As usual, he has given us some very thoughtful testimony, and I appreciate it a lot.

Chairman **Ford**. Mr. Andrews.

Mr. **Andrews**. Charlie, just to follow up on Hank's question to you. Can we do something significant and keep it revenue neutral?

Mr. **Rangel**. I have no idea. I do not see how you can really. Of course, I am not wedded to this revenue neutrality, and I do not know, you know, in view of the budget that the President has sent to us, I do not know whether he really means what he sent to us. And if we really thought that we were going to cut other programs, then we are developing an adversary group that has been very quiet now, and you will not hear from them until you decide what you are going to abolish.

It is a catch-22. I do not see how you can do it. As a matter of fact, many of these people would not be on welfare if we had done it.

Mr. **Andrews**. Well, if you had to kind of make your own wish list off the top of your head, surely we could start with some of the grants to the cities, like UDAG and some of those programs. I mean that is a place where some of us, even those of us from urban areas could——

Mr. **Rangel**. I do not really figure at this point I would want to find out where I want to stab myself, you know, for this program.

Mr. **Andrews**. Not under oath anyway this morning.

Mr. **Rangel**. We will have a list, you know. Maybe we can take a look at how much a foot we are giving the oil industry and see whether or not those incentives are still necessary.

Mr. **Andrews**. That is important too.

Mr. **Rangel**. I do not know. There are a lot of things we could look at, but I still think that if it does reach that point, we all ought to take a head because, as Mr. Downing says, you really do not have to be an economist to find out that once these people start working and paying taxes that this is one of those programs that really will pay for itself. And if you can stop the chain, if you can stop kids from believing that a way of life is waiting for the check, then you really are getting more bang out of the buck. So it is just common sense that would dictate that we should be going in that direction. But that does not help us with the 1988 budget figures.

Mr. **Andrews**. No, it does not, but I think your point is well taken. As we start this process and this debate, we really should not as a Congress be so wedded to this theory of revenue neutrality that we lose an opportunity to do something really significant. I mean it would be a terrible thing if we debate the process for however long it takes in this Congress, if we move the programs around, cutting here and cutting there, all in the name of revenue neutrality, and we do not accomplish something significant just because of the dollars.

Mr. **Rangel**. I am afraid that is the major fear that I have because there is nobody that is opposing welfare reform.

Mr. **Andrews**. That is right. That is right.

Thank you, Mr. Chairman.

Chairman **Ford**. Mr. Levin.

Mr. **Levin**. Mr. Chairman, I appreciate the opportunity to participate. Mr. Rangel is so cogent that I think I had better not ask any questions. Thank you.

Mr. **Rangel**. You can tell the junior members on the committee.

Chairman **Ford**. Mr. Rangel, let us again thank you very much for your appearance and your testimony before the committee.

Mr. **Rangel**. Thank you.

Chairman **Ford**. Thank you.

Mr. Wheat, you are on the panel. We will recognize you if you want to participate in some of the questions for the witnesses. I thought you were here to be a witness, but we are delighted to have you, and we welcome you to the panel.

Mr. **Wheat**. Mr. Chairman, I did not have any questions for the distinguished gentleman from New York, but I would like to thank you for the opportunity, for your gracious invitation to sit in with you. I would like to do that inasmuch as this is going to be a major issue this year, and you are a recognized leader and will be the leader——

Chairman **Ford**. We know that we are going to have to bring it before the Rules Committee too.

Mr. **Wheat**. We hope at some point to work with you in putting all the pieces together.

Chairman **Ford**. Thank you.

We also are delighted to have one of our own of this committee, Mr. Pease of Ohio. Thank you very much for taking the time to come from, I guess, the top of the panel down to the witness table to testify.

We recognize our own now, Mr. Pease.

STATEMENT OF HON. DON J. PEASE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Mr. **Pease**. Thank you very much, Mr. Chairman. I will be brief and just say that I wanted to come before you as a witness today in order to underscore my own great interest in welfare reform. I believe it is one of the most important things that we will be called upon to do in 1987.

As we in the Ways and Means Committee learned last year in dealing with tax reform, the fact that the public supports the thrust of the legislation does not necessarily make the job easy. I know we face a long hard road this year.

I am not carrying any wish list today. I do not have a proposal worked out for how we ought to reform our welfare system. I do not have any particular provisions that I especially want to get into any bill that we produce. Mainly, I just wanted to mention a couple of guidelines which I thought the committee ought to keep in mind as it goes about its deliberations.

First, as has been mentioned today, work should be the key. If people agree on anything, they would agree on that. No matter what one thinks should be our primary goal on welfare reform, whether it should be reduction of poverty, cutting costs, or reducing the number of people in the programs, a job has always been and will continue to be the best way to achieve any of these goals. So certainly, to the extent that we can stress jobs, we will be better off.

For the many people who can work, the system should not put obstacles in their paths.

Second, the welfare system needs to be flexible. I think that is almost self-evident. But we want to be careful about excessive flexibility. I am glad the President recognizes the importance of flexibility, but I fear he may want to carry the concept too far. Encouraging State and local governments to embark on innovative programs is certainly worthwhile, as experiences in several States in recent years have demonstrated, and as we have heard in previous testimony before this committee.

But as long as Federal funds are going to be a part of the package, the Federal Government has a responsibility to the taxpayers to make sure that the dollars spent in the programs under discussion today are spent wisely. We should not use obedience to the concept of flexibility as an excuse to abdicate our responsibility to maintain fiscal controls.

Third, reform ought to give us a more family-friendly system. It is past time that we required States to adopt an unemployed parent program as part of the AFDC program. And I am sure I am preaching to the choir when I talk to the chairman about that provision. The President has enunciated as one of his welfare reform principles that the system should "encourage the formation of economically self-sufficient families." It seems to me that making the unemployed parent program mandatory as we have suggested from this subcommittee in past years, would be an obvious way to help fulfill this important goal.

Finally, we have to deal with transition problems of people who move from welfare to gainful employment. I think this may be one of the most important challenges that we face. It is rare that our economic system catapults people directly from welfare into middle-class employment. It just does not happen very often. So we ought to concentrate on the transition period that a lot of people on welfare will have to go through once they get employment.

Primarily, this means to me concern about access to health care coverage. In my opinion, it is criminal and nonsensical to ask a person on welfare to take a minimum wage job—which barely comes up to the level of welfare payments—and then, in the process, lose eligibility for Medicaid. No person in his or her right mind would accept such a deal because, in our society today, health care costs are so important to every family.

As I close, let me refer again to the tax reform debate that began to take shape just 2 years ago. All the principals in tax reform made a special effort to make our tax system more fair to the working poor, who in many ways had become arguably the most disadvantaged group in our society. I think the way that tax reform finally dealt with low-income individuals was one of the real accomplishments of this committee last year.

If our work goes well, the result will be many more members of the ranks of the so-called working poor. We will, if we are successful, move people off the welfare rolls and into those ranks of working poor.

We want their stays on those lower rungs of the economic ladder to be brief. But, as we make them proceed up that ladder, let us make sure that they are encouraged and helped and not discouraged from getting on that ladder and moving up.

Thank you.

[The prepared statement follows:]

TESTIMONY OF HON. DON J. PEASE

before the

SUBCOMMITTEE ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION

of the

COMMITTEE ON WAYS AND MEANS

FEBRUARY 19, 1987

Mr. Chairman and my colleagues on the subcommittee, let me begin by commending the chairman for undertaking these hearings on welfare reform so early in this session. To do a good job on welfare reform will take considerable time and effort on all our parts, so this early start is essential.

As we on the Ways and Means Committee learned last year in dealing with tax reform, the fact that the public supports the thrust of the effort does not mean the job will be easy. Like tax reform, welfare reform is something that most people seem to favor almost instinctively. But unlike tax reform, welfare reform will not have a direct impact on most citizens. This fact will probably make our job harder.

As far as specific welfare reform recommendations are concerned, I am not carrying any kind of wish list today. But I do want to mention some general principles that common sense suggests should guide the subcommittee in its work on this important issue.

- First, work should be the key. No matter what one thinks should be our primary goal in welfare reform--whether it be reduction of poverty, cutting the cost of welfare programs, or reducing the number of people who depend on the programs--a job has always been and will continue to be the best way to achieve any of these goals.

  For the many who can work and want to work, the system should not put obstacles in their paths. In fact, a subcommittee priority should be finding ways to improve the system's capacity for facilitating and encouraging both job training and employment.

- Second, the welfare system needs to be flexible. I am glad that the President recognizes the importance of flexibility, but I fear the President may want to carry the concept too far. Encouraging state and local governments to embark on innovative programs is certainly worthwhile, as experiences in several states in recent years have demonstrated. But as long as federal funds are going to be a part of the package, the federal government has a responsibility to the taxpayers to make sure that the dollars spent on the programs under discussion today are spent wisely.

¶ Third, reform ought to give us a more family-friendly system. It is past time that we required states to adopt an unemployed parent program as part of the AFDC system. The fact that AFDC was originally designed to aid needy children without fathers has led to criticism that the program encourages the break-up or non-formation of families. It is time that we remove the basis for that criticism. The House of Representatives has included a mandatory AFDC unemployed parent program proposal in the last few reconciliation bills, but the Reagan Administration has strenuously opposed the proposal. The idea has been killed in conference every time.

The President has enunciated as one of his welfare reform principles that the system should "encourage the formation of economically self-sufficient families." It seems to me that making the unemployed parent program mandatory would be an obvious way to help fulfill this important goal.

¶ Finally, we have to deal with transition problems of people who move from welfare to gainful employment. Our economic system does not generally find people jumping directly from the poverty level to a middle-class income. The subcommittee should concentrate on this transition period. For example, we need to think about peoples' access to health care coverage for themselves and their children. Too many people feel that they are forced to choose between a low wage job and continued access to health care coverage. In my view, this choice introduces a factor that ought not to enter into the decision of whether to join the workforce. When it comes to choosing between work and welfare, work should come out on top.

As I close, let me refer once again to the tax reform debate that began to take shape just two years ago. All the principals in tax reform made a special effort to make our tax system fairer to the working poor, who in many ways had become arguably the most disadvantaged group in our society. I think the way tax reform ultimately dealt with low-income individuals was one of its most praiseworthy accomplishments.

If our work goes well, the result will be many more members of the ranks of the so-called working poor. We want their stays on those lower rungs of the economic ladder to be brief. But let's make sure they are encouraged and helped to get on the ladder and start climbing.

Chairman FORD. Thank you very much, Don.

Don, just for the record, there has been a lot of talk about it, and Mr. Downey mentioned it in his conversation with Mr. Rangel about budget neutrality. How do you foresee this committee and the Congress dealing with the revenue impact of a welfare reform package? Should we first consider the revenue neutral aspect of it, or should we try to identify those components within a program that will in fact be viable as they relate to work education and training?

Mr. PEASE. Sure. Mr. Chairman, as you know, those decisions about revenue neutrality go far beyond the confines of this subcommittee. I think we really have to look to the leadership to make the basic underlying decision.

But I would think that in fashioning a welfare program, we ought to start out without reference to the cost and ask ourselves what would it take to develop a commonsense, practical, workable welfare system? And then, having done that, and having looked to see what resources are available to us from the Budget Committee and the leadership, we should cut the cloth as we have to in order to make things fit. I would hope that if we have to operate within the existing revenues, we can do that in a way that fits in intelligently with some broader concept of what welfare reform ought to be. In other words, we ought not to act this year on welfare reform in a way that cuts us off from progress in future years if more resources become available.

I think that it is possible to make some useful improvements in the welfare system within current revenues. However, I think we would be making a mistake to start out from the assumption that that is what we ought to look at first. We ought to broaden our horizons.

Chairman FORD. One final question, Mr. Pease. The Downey-Evans federalism bill that was introduced in the last Congress, and I am not sure whether it has been introduced in this Congress—is it in this Congress?

Mr. DOWNEY. Not yet, but it will be.

Chairman FORD. There are a lot of very attractive features about the bill. But as was mentioned earlier with the witness right before you, crossing jurisdictional lines in the Congress and having joint referrals as well as whatever sequential referrals might be in order, could be difficult.

Should we try to limit jurisdiction to this area, public assistance, the welfare population itself, or should we try to be broader than that? And it might be that we can draft a bill solely within our jurisdiction. Or, a bill might not be reported from this committee without some joint referrals, and if that is the case, hopefully we can get the leadership to place a time restraint that would require other committees to report the legislation out.

I guess the question is, should we try to draft legislation to confine the welfare reform package to the welfare population and, therefore, giving this committee jurisdiction over the bill that we would report?

Mr. PEASE. Well, Mr. Chairman, as you know, we constantly run into problems caused by the jurisdictions of the various committees in Congress. I believe that it is a function of the House leadership—the Speaker, the Majority Leader—to find practical ways to work out those jurisdictional problems either by using the example of the Energy Committee in 1978 and 1979 to appoint a special committee or an ad hoc committee to deal specifically with the problem. Or Congress could address the jurisdictional problem informally by getting together the relevant subcommittee chairmen and deciding on a general direction for our efforts so that when one subcommittee does its piece and another does its piece, they complement one another and do not clash.

I think either one of those models could be used. But clearly we ought not to be starting out in our subcommittee with our own assumptions without getting some understanding from the leadership.

Chairman **Ford**. You know, the administration, when Dr. Miller testified last week or the week before the full committee, in his conversation on welfare reform and in his testimony, he talked about, I guess, dismantling the Summer Youth Employment Program, which would not be under the jurisdiction of this committee. And it is very attractive maybe when you look at the $800 million that the administration talked about and replace it with a training component for the population of children within the welfare program. I do not know how Education and Labor views the proposal, and which committee might have the jurisdiction in the House. It would involve dismantling another program.

I think some of those features are within the Downey-Evans bill, and, Tom, I am surely in no way not supportive of the bill that you have already fashioned in the last Congress. I am just concerned now as to how we claim jurisdiction and try to move with a package that will reflect and respond to those needs in the welfare population of this Nation and those who are living below the poverty thresholds.

That is all. Thank you, Mr. Pease.

Mr. **Downey**. Mr. Chairman, if I could be heard on this. I think that what Hank mentioned before is something that is really critical here. The notion that an expanding economy is the best welfare program is something that I believe. I mean you cannot obviously share the wealth unless you create it. But, by the same token, as a progressive Democrat, I will concede the fact that the economy is creating new jobs, not the sort of jobs I would have liked, but it has certainly given us an opportunity to put people to work. But, at the same time, while the economy has been expanding, it has left a large segment of people completely out of the realm of greatest opportunity. I mean indeed the number of poor have increased so that if liberals have learned one thing, it is that self-sufficiency and work have to be any part of a welfare program and additional training, additional education. I am prepared to concede that point. You should work but you should have opportunity.

And what I would like to have conceded to me—no, not by you, but I mean in the rhetorical sense, is the notion that even an expanding economy will not solve the problems that we have to tackle. If we can address those two issues, I think we have got the seeds for a serious bit of bipartisan legislation.

Now, let me just address the issue of revenue neutrality. The Evans bill and my bill, what it does basically is it says, look, poverty is a national problem. AFDC should have the unemployed parent program in it, it should be financed 90 percent by the Federal Government, 10 percent by the States; Medicaid same thing. I mean it is irrational for us to think that in Texas the people who have been unemployed as a result of a downturn in the oil economy are not somehow also New York, Ohio, Colorado, and Tennessee's responsibility. It is crazy. I mean it was true when Mr. Pease's constituents were unemployed, when the automobile industry was falling on hard times. It is true in Texas and Louisiana. These are national problems that have to be addressed nationally. That is the first point.

The second is that it does not mean that they have to be administered nationally. Far from it. And my strong preference would be for it to be administered locally. But that if you are going to do this, if you are going to provide a 90 percent payment for AFDC and Medicaid and what, I might add, a large percentage of poor children who have not had proper medical attention, allow them to have medical attention, that there is going to be a very strong requirement for us given the political reality of how we are going to pay for it. And all mine and Senator Evans' bill does is say, look, to the cities, we are going to help you but we are going to take some of these other programs that have been great programs but are not necessarily targeted to the poor, and we are going to pay for them that way. We are going to remove UDAG; we are going to remove EDA; we are going to make mass transit take that away from you and, at the same token, you are now going to have to go to the States and say to the States, because we will be paying for AFDC and Medicaid, you pay for it. That is what my approach is. And we are really much closer to consensus here than I could ever, ever thought possible a year or two ago.

My concern is about jurisdictional lines, and I think Don has already answered the question. In 1978, Don, Tip appointed an Energy Committee and a Welfare Reform Committee. The reason we remember the Energy Committee is because it came up with a bill, and the Welfare Reform Committee did not. That was Jim Corman's tutelage.

Chairman Ford. Would the gentleman yield?

Mr. Downey. Yes.

Chairman Ford. And, Tom, that is what I am afraid of, and your approach does not frighten me at all, but like I said earlier, I studied your bill when it was introduced in the last Congress, and I raised, a couple of questions about it and wanted to know in 1977, I think that is when Tip appointed the committee——

Mr. Downey. 1977.

Chairman Ford. I am concerned as to—was that the real problem, that there were so many jurisdictional conflicts that the different committees could never, you know, find themselves agreeing upon anything and reporting a bill.

Mr. Downey. And, Hal, let me just say that I am not wedded to any concept. I want to—I mean if there are elements of my bill that could pass, terrific, that is great; if not, I am prepared to happily accept whatever the subcommittee decides to do.

But the reality is that there has got to be a work component to any welfare reform bill. And we do not have jurisdiction to do that.

There has got to be a way. We are in a better position to pay for it than any other committee, so we have that advantage. But we have to do a work component, we have got to do an education component, and that means Education and Labor, or certainly probably Waxman's subcommittee are going to be part and parcel of whatever we do. That is just a reality. Do you disagree, Don?

Mr. **Pease**. No, not at all.

Mr. Chairman, I might say that I am willing, quite willing to accept Mr. Downey's belief that a rising tide does not lift all votes and that a growing economy does not provide jobs for a lot of people at the lower end of the economic scale.

I am probably not quite conservative enough to qualify as accepting your premise on behalf of the conservative movement, but for what it is worth, I accept it nonetheless.

Mr. **Downey**. It is better far articulated, Don, than they do.

Chairman **Ford**. Tom, there is one thing to consider. According to the staff of the committee, under title IV(a) of the Social Security Act, there is a section of the Social Security Act that we think might give us the authority for the work component of the welfare reform package. We will be conversing with all members on the committee and staff on this.

Mr. **Downey**. Hal, my only concern is that, first of all, I am very skittish about trying to bootstrap our way to a jurisdiction that clearly—I mean take a look at Education and Labor, a lot of our colleagues there do not have a whole lot to do anyway and have not done much over the last few years except to say no and cut things. And now you are saying, guess what, we are going to grab some of your jurisdiction as well.

Chairman **Ford**. No, we do not want to do that, Tom, at all. Naturally we do not. We do not want to do that. But we would surely like to have the attention of Education and Labor to say, gee, it is strong enough even if we brought it before the committee, we would report it right out. We want to make sure that we work closely with them.

Mr. **Downey**. I think Don made a point. If there are problems with setting up a super committee, I think we are doing the trade bill that has multiple jurisdiction, and we are going to do it quickly. So there are plenty of examples of being able to get things done across jurisdictional lines. I mean I am not wedded to any one particular concept.

But I am concerned that we have got to appreciate that there are daunting possibilities, you know, that——

Mr. **Pease**. Mr. Chairman, I want to give you two thoughts. One is that the approach in Mr. Downey's bill emphasizes the importance of getting the leadership to coordinate the general approach. If we get into a situation where we are assuming a cancellation of major programs within the committees of jurisdictions by the committees in order to finance our program, we are just asking for trouble.

But I think the leadership could straighten that out and say we are or we are not going to go down that path.

Secondly, it seems to me that what Mr. Downey has done in his bill is to make a suggestion for one way of paying for the improvements in welfare, which ties back into your original question. Our first responsibility ought to be to figure out what needs to be done and what makes sense and then figure out how to pay for it. And one way would be this way, and another way would be additional revenue. There are a variety of ways that we could do it. And that would allow us to escape at least initially the jurisdictional battles that we can envision.

Chairman FORD. Thank you, Mr. Pease.

Mr. Brown.

Mr. BROWN. No questions.

Chairman FORD. Mr. Levin.

Mr. LEVIN. No questions.

Mr. PEASE. I am disappointed that Mr. Brown did not take the occasion to welcome me to the conservative caucus.

Mr. BROWN. I thought the gentleman had always been a member.

Mr. DOWNEY. Hank, I did not know you were a member.

Chairman FORD. Thank you.

Our next witness is the ranking minority member of the committee, Hank Brown of Colorado.

Mr. Brown, we again welcome you as the new ranking member of the committee and to the full Committee on Ways and Means as well.

STATEMENT OF HON. HANK BROWN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF COLORADO

Mr. BROWN. Mr. Chairman, thank you for allowing me time to testify today. I particularly appreciate the opportunity to appear before the committee.

I am excited about the potential that faces us today. We have a very good chance of coming up with a strong bipartisan bill. The central question before us is how you truly help people who are in need. It is an interest of all Americans.

In many of the employment and training programs we have done a poor job of helping people. It is not just a question of money. Obviously money is involved, but another part of the problem is designing programs to help people become independent instead of dependent.

As I look over the figures of those who are in poverty, a recent Harvard study indicates some interesting things. Thirty percent of those in poverty will be in that condition for 2 years or less. Forty percent will be in that condition from 3 to 7 years. Thirty percent for 8 or more years. The tragedy of the programs we have designed is not that we have not been willing to come up with funds to help folks. We have—and in numbers that dwarf the efforts of any nation in the history of the world. The tragedy is that many of the programs we have come up with have not worked. They have not moved people out of poverty. I do not mean that you are going to solve all the problems. Obviously we are going to have these problems with us for a long time. Our challenge is to figure out how we can improve these programs to truly help people.

I am optimistic that this committee is going to come up with some strong advancements in that area.

If you would permit me, I would like to submit my statement for the record and just briefly summarize.

Chairman **Ford**. Without objection, it will be made part of the record.

Mr. **Brown**. I also would like to address just quickly some comments about procedure. I have served in the State legislature where I was in the majority and have served here in the minority. I must say I prefer the majority.

At the State level we did not have proxy voting. Our committees sat around one table. We seemed to be on the same level as the witnesses. We ended up working together. And I think we seem to have a little more difficult time of doing that in Congress. Part of the problem is our procedure; part of it is how large our numbers are; part of it is proxy voting when members are not present.

One of the things that is missed at the national level is the ability to develop a bipartisan compromise. It is a product of people not having the time to work together. I want to pledge to you that I am going to take time to work with you. I think this is a vital issue that our Nation needs to address. I think it is the one on which we have a chance to come up with a truly bipartisan approach. And I say all this understanding that we are not going to agree on everything. I say understanding there are going to be some things that get in this bill that I do not care for. Perhaps everyone comes to that realization as you work through it. But I think welfare reform is important enough that it merits intense effort by all of us. And I want you to know that I am going to do everything humanly possible to get a bill that all of us support coming out of this subcommittee.

They tell me that we used to have bills that came out of this subcommittee that way. And I cannot help but think that a bipartisan effort starts with both sides of the aisle, and I want you to know that I am going to do everything I can to fulfill our end of that.

Just quickly, some thoughts that I hope will be part of our legislation. I hope to encourage flexibility for the States in the way they administer the employment and training programs. I am convinced that not all good ideas come from Washington. In fact, sometimes I think that perhaps the minority of good ideas come from Washington. So, we should leave plenty of flexibility in the program, for local improvement and local management.

Second, I think it is terribly important that we strongly address the question of child support enforcement. To be specific, let me name a few issues.

Making mandatory child support withholding provisions I think is terribly important. Second, requiring States to adopt child support guidelines that are a rebuttable presumption in court and in administrative proceedings, I think, is equally important. Third, paternity establishment procedures should receive careful attention.

Fourth, legislative remedies for the persistent problem of interstate enforcement must be addressed as well. If we do all these things, we can make real progress in the area of child support enforcement.

And, fifth, I think critical to what will be our most advantageous effort here is addressing the problem of folks staying too long in the program. They tell me that 60 percent of the AFDC participants will stay in the program 8 years or longer. What a tragedy it is that we have designed a program that seems to take 60 percent of its participants and make them almost permanent recipients of that program. Not a tragedy in that it costs money to help them; but a tragedy in that we have not helped those folks become independent.

Some of it can be addressed in how we classify when someone can work and be eligible for employment and so on. My understanding is that currently very little is done to help AFDC recipients become independent as long as they have a child under the age of 6. I think we need legislation to address this issue.

Nearly 60 percent of the mothers in this country who have preschool children are in the labor force. So it seems possible to require that AFDC mothers with young children be required to work or prepare for work

What should we do? The No. 1 alternative I think is to provide training, work, or education and bring people out of this cycle of poverty. That is our major challenge, to break that cycle of poverty.

If we require able-bodied people to participate in training or work or educational programs, we will find a key element of breaking the cycle of poverty. I do not pretend that it is a cure-all, but it is a major step in the right direction. And it is a major step toward stimulating the mental attitude necessary to break the poverty cycle. This may be more important than anything else we do.

I thank you for the opportunity to address the committee, Mr. Chairman, and I will be happy to respond to any questions you may have.

[The prepared statement follows:]

STATEMENT OF HON. HANK BROWN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF COLORADO

Mr. Chairman, as we begin an important welfare debate, I appreciate the opportunity to be a witness before this key subcommittee. As the ranking Republican Member of the subcommittee, I believe that a bipartisan effort to reforming our nation's system of public assistance programs is essential.

Welfare reform is clearly one of the major items on the agenda of the 100th Congress. One reason is that new research has produced two important findings. The first of these concerns the length of time people stay in poverty. Using longitudinal data that were not previously available, researchers at Harvard, some of whom will testify before this subcommittee in subsequent hearings, found that about 30 percent of the people who fall into poverty get themselves out within 2 years and about 40 percent get themselves out within 3 to 7 years. The remaining 30 percent remain in poverty for 8 years or more. Thus, the poor are a heterogeneous group. Some extricate themselves quickly—usually by marrying or finding employment—while others languish for very long periods of time. It follows that our programs must take into account these differences in the client population.

A second important finding from new research is that programs designed to help welfare clients train for jobs, find jobs, or hold temporary jobs to gain experience can be moderately successful. Excellent studies by the Manpower Development Research Corp. in such States as California, West Virginia, and Maryland, have shown that the number of AFDC mothers who can get unsubsidized employment can be increased by about 8 percent. The MDRC studies also show that these programs can pay for themselves and save money for both State and Federal Governments. If these findings can be generalized, we in the Federal Government should encourage more States to try the employment and training programs. We should also consider helping the States pay for such programs.

In addition to research, another factor prompting the current welfare debate is the widely publicized desire of States to either begin or expand their programs to help welfare clients find jobs. "Welfare to work" has long been a slogan that could characterize the nation's deepest hope for the poor. Work was a foundation of both the New Deal and the War on Poverty. The idea that citizens should work forms one of our nation's most revered ethics; there certainly can be no surprise that those concerned with the poor would like to help them escape poverty through work. Without lending our uncritical voice to the claims of programs such as ET in Massachusetts and GAIN in California, we in the Congress should be heartened that State administrators are once again saying, not just that work is the solution to welfare, but that they are getting better at preparing welfare clients for work and are anxious to do more.

A third important cause of the current interest in welfare reform is that statistically-defined poverty has increased dramatically in the recent past. Between the late 1950s and 1967, poverty among all persons was cut in half—from 23 to 11 percent for all persons and 27 to 14 percent for children. For the next decade, poverty rates held almost constant. But between 1978 and 1983, poverty increased from 11 to 15 percent for all persons and 15 to 22 percent among children. The effects of these recent increases have, no doubt, been intensified by the substantial decline in the value of AFDC benefits because of inflation. We are now, as Senator Moynihan argued before our subcommittee a few weeks ago, a nation in which children are the poorest demographic group.

So now we once again return to the commonplace theme of welfare reform. We all agree that the welfare system has serious problems and that the Congress should take action. The primary message I bring to you today, Mr. Chairman, is that Republican Members of the Public Assistance and Unemployment Compensation Subcommittee are ready to enter into serious negotiation with you and all of our subcommittee colleagues to create bipartisan welfare reform legislation. Anybody can talk about welfare reform, but you and I, along with the other nine Members of our subcommittee, have the opportunity to actually do something about it. In fact, I think you will agree that if we can get together on a specific legislative package, the probability will be greatly enhanced that the 100th Congress will achieve what prior Congresses have only attempted.

Let's begin with principles. We Republican Members believe, first and foremost, that our reforms should be guided by the attempt to reduce welfare dependency. Today, there is widespread bipartisan agreement that too many of the nation's poor are mired in a tangle of apathy and hopelessness, and that the welfare system does induce dependency among some participants. As a result, reforms be gauged by whether they decrease the tendency of welfare programs to permit, and even promote, dependency.

Second, there is now an unprecedented degree of agreement in the Congress that welfare implies mutual obligations. The formerly dominant idea that welfare was a right that society owed its citizens has been substantially augmented by the idea that citizens who receive welfare should pay something back to society. This concept is nicely captured by testimony we received several weeks ago from the American Public Welfare Association. More specifically, the APWA welfare reform proposal is based on the concept of a contract between AFDC clients and the local welfare department. Yes, government has a positive responsibility to support citizens who cannot find jobs or who are unmarried and have young children, but help is premised on the understanding that recipients owe something back. If citizens appeal to government for help with the expectation that they can receive without giving, the system must be structured in a way that will teach and reinforce the principle of reciprocal obligations.

The third principle is that our welfare must balance the citizen's need for income adequacy with society's need to maintain work incentive. Welfare benefits have declined in real terms over the past decade. As a result, especially in some States, many critics assert that benefits are too low. A witness at our earlier hearing referred to such benefit levels as "unconscionable". Though humanitarian impluse may prompt us to agree with this characterization, I think it is important to add that high benefits increase dependency by decreasing the motivation to work. We paid a great deal of money in the 1960s and 1970s to test this proposition. As shown clearly in the Seattle and Denver Income Maintenance Experiment, high cash benefits reduced the work effort of males, wives, female family heads, and youth. For some of these groups, the work reduction was on the order of 25 percent. So while we agree to carefully consider benefit levels, let's also agree to do so with the understanding that we trade each increment of benefit increase for an increment of work disincentive.

Beginning with these principles, I am proposing three broad areas of welfare reform to which I hope the subcommittee will direct its attention. First, the Federal Government should allow the States more flexibility in setting up their employment and training programs. I am quite willing to negotiate on details, but as my colleagues from Michigan and New York have suggested, I would allow States to keep the various employment and training programs currently associated with AFDC. I would also require HHS to set up a Division of Work Programs, and I would provide performance-based incentives for the States to receive a higher proportion of their funding for employment and training programs from the Federal Government.

The second general area of reform I favor is the Child Support Enforcement program. Senator Moynihan made it clear in his testimony before our subcommittee that the Senate also will propose substantial changes in the Child Support program. Republican Members of this subcommittee would like to consider both making the mandatory withholding provisions universal and requiring the States to adopt child support guidelines that are a rebuttable presumption in all court and administrative proceedings. We also think that paternity establishment should receive careful attention. Similarly, we want to determine whether we can find some legislative remedies for the persistent problem of interstate enforcement. Finally, even cursory examination of AFDC statistics shows that the child support system experiences its biggest problem with out-of-wedlock births. Since these constitute about 50 percent of the AFDC caseload, we should try to find some means of establishing paternity and getting child support orders at or near the time of birth. Taken together, these types of child support reforms would serve with the dual purpose of helping noncustodial parents meet their financial obligations to their children and reducing AFDC expenditures.

The third area for reform is the AFDC program itself. I am aware that our colleagues from Connecticut and New York will propose sweeping changes in the program, and these certainly should be studied carefully by our subcommittee. While some people are using the AFDC program appropriately—for temporary cash income to support a family until the breadwinner is reestablished, the major problem remains that too many people stay on the program too long.

We should consider changes in AFDC that might encourage people to become independent more quickly. The employment and training programs we just discussed are perhaps the best way to help people out of poverty. But, as we sit here discussing the AFDC program, over 60 percent of its current participants are in the midst of spells that will last at least 8 years. The employment and training programs can give these people a hand—but it is not the only answer.

Requiring serious efforts by participants who are able to prepare for work and independence must be part of the program. If we are willing to give people cash benefits, work training or experience, assistance finding a job, and day care and other services during and after the training period, then we should have a right to expect them to participate in good faith and exert themselves. After a short period of time on welfare, able-bodied recipients should be in school, in training, in job search, or at work.

A key issue in designing this approach is determining when the requirements should begin relative to the age of the mother's youngest child. Currently, we require little of AFDC recipients until the youngest child is age 6. In a society in which 60 percent of the mothers with preschool children are active in the labor force we can do better. Surely we can agree that this aspect of the AFDC program deserves our closest scrutiny.

Mr. Chairman, these are the principles on which we believe our welfare reform legislation should be constructed, and these are some of the general program ideas we would like our subcommittee to consider. I suggest that we begin serious bipartisan negotiations very soon to see if these proposals can be translated into specific legislation. For the first time in memory, we start with a surprising degree of consensus on principles; now we must find the specific reforms that will satisfy Republicans and Democrats alike. Speaking on behalf of subcommittee Republicans, I say to you that we are ready to discuss specifics in a spirit of bipartisanship and compromise. Let us begin.

Chairman FORD. Thank you very much, Mr. Brown.

You know, we have already communicated in the last 2 or 3 weeks to talk about how we will conduct business on this committee. It is the intent of the Chair to work very closely with the minority side of the committee. And we have gotten off to a good start, and I certainly would hope that we will continue to have this dialog and make sure that all of the features of this bill will be developed with a strong bipartisan effort and a bipartisan move in the Congress to report out a welfare reform package. And I welcome this opportunity as chairperson of this subcommittee, and I am almost certain that I speak for the other members of this committee on the Democratic side.

One question that I do have for you is that when you were talking about the 60 percent of long-term dependency on welfare, I really would like to try to identify where that information came from. I have been of studying the issue for the last 18 to 20 months, and I am just trying to identify the source of your information, so we would be privy to it as well. We seem to have some different numbers.

We both agree that 50 percent of the recipients come on and go off within the first 2 years, and half of that 50 percent go off within the first year. I am trying to understand how the 60 percent that you make reference to for the long-term dependency on welfare is different from my information.

Mr. BROWN. I would be glad to supply that. I think my reference was intended to be to those who are on the AFDC program only, not the welfare programs in general.

I think the earlier figures I mentioned—the 30 percent, 40 percent and 30 percent breakdown—were for poverty itself and not the AFDC program. The later reference to the 60 percent figure was an estimate of the percentage of people now on AFDC will be in the program for 8 years or more. These figures are from the Harvard study, and I would be glad to supply the complete reference.

Chairman FORD. Because about 9 years, 9 or 10 years has been, the maximum length of time. And whether that has been 9 consistent years on a person has come on for 1 year, gone back into the work force, back on public assistance 1½ years, and we are just trying to determine——

Mr. BROWN. That may well be the difference—whether the spell on AFDC is straight through or broken.

Chairman FORD. Mr. Downey.

Mr. DOWNEY. A blizzard of statistics on that point was one that I was going to raise as well because this is—I am going to send a copy as soon as they are around. This is called the "New Social Contract", and it was done for my Governor. He has not yet embraced it, but it a primer that I use on statistics. And they have a little—I think it is just a question of how one extrapolates the same data.

Hank, let me just say that, first of all, I view with delight your and Rod Chandler's move to come on the committee. I think it speaks well for the fact that we are going to work in a bipartisan way. And I frankly do not think we can do it without you. And I hope that we proceed under that assumption, that we are going to do this together because the last thing that this should be is a partisan issue where we point the finger at Republicans for not caring, and you point it at us for not caring anything about any fiscal prudence.

The issue that you raise which I completely agree on is this issue of child support enforcement, and it has to do with the greater notion of what do you do to make the family a self-sufficient and productive unit in American society? And the fact is that the vast majority of people on welfare, first the majority of people who are poor are working. That is the first thing.

Secondly, the statistics are quite extraordinary about—here it is, how many of the poor can work? Only 46 percent of the poor are able to work. The other 38 percent are children, 10 percent are elderly or 5 percent are too sick to be able to. And of the poor, 35 percent are already working full-time, 21 percent part-time, and 9 percent are looking for work. So, I mean what we are talking about are of the poor, a fairly focused one out of every six, frankly, who is eligible for it that is not actually working. But I think a component of this is the fact that I think again only 58 percent of the people, women with children, are not receiving any sort of support from their responsible spouses, mates or otherwise. And I am happy to work with you in any way that we can make very, very tough requirements for child support enforcement which I think has to be a very important part.

Chairman FORD. Mr. Pease.

Mr. PEASE. Thank you, Mr. Chairman. Hank, we appreciate your testimony, especially your promise to work with us on this side of the committee structure.

I do not think any of us disagree about the importance of work, and training people, and educating people so they have an opportunity to work. I would hope, though, that we all keep in mind, as Mr. Downey just indicated, there are a number of people on welfare who cannot work for one reason or another, and a number of others who, theoretically, can work but who effectively are not very attractive as employees.

I used to be an employer myself, and I well remember that in periods of high unemployment, one had the pick of the cream of the crop. You could afford to be awfully picky. Then in periods of low unemployment, you had to dip down a little bit and take people who were not perfect in every respect.

As I look at a lingering 6½, 7 percent unemployment rate, it just seems to me that employers are going to continue to be in a situation where they can be fussy. They can say to non-high school graduates, do not apply. Or they can say to people who are chronically sick and maybe absent from work, do not apply, and so on.

So I would hope that we would look at some component of this program which would help people in that category who might well stay on welfare for a long period of time, not because they want to or because they are unwilling to enter into training programs, but because they are just not very attractive employees, especially if there is a large pool of other people who are available and who are better qualified.

Mr. Downey was interested in having somebody grant that the rising tide does not lift all boats. Do you recognize that component of our welfare population, and do you feel that it is legitimate for us to pay some attention to that group?

Mr. BROWN. I do, and I think you make a very sound point. But while I do not think in religious terms you would think of me as born-again, certainly in employment terms I think you could. The county where I live has county jobs available to folks who apply for assistance, and the most encouraging thing is not just the skills they learn on the county jobs. The most encouraging thing is that the county placed an enormous number of welfare clients in meaningful private sector jobs in just the first month. That initial job with the county is a real motivator towards finding other employment.

Consider another piece of evidence. In the company I worked with for a couple of years, I got to head up a special program we had to stimulate minority enterprise. We took a little different approach in that instead of trying to find something easy, we took the toughest job we could find, and we found the toughest guy that could do it. What I found so encouraging was a dramatic change in people's behavior patterns as then began to tackle these difficult jobs.

I think your observations about the patterns of employers is very accurate. I do not dispute that at all. But the encouraging part to me was the dramatic change that took place in individuals whose family had not had a pattern of work, whose family had not had a pattern of dressing a certain way, who had not had a pattern of always showing up on time. And I found people readily changing their behavior when they were given the proper incentives.

To me that is the real challenge we face—how to find those incentives for folks.

Mr. **Pease**. Exactly right. I do not think that the atmosphere is right for us to reinstitute a WPA from the Depression days, where the Government had jobs available that even the most unskilled person could fill. But perhaps as part of our flexibility in this bill, we might allow and even encourage some States to set up the kind of county level jobs system that you mention, so that when a person comes in on welfare, that person does not have the excuse that no jobs are available. The county can make them available, and that person can learn the value of self-worth that comes through work, and can learn some employment skills like arriving on time and so on.

Mr. **Brown**. The other thing we found was a spiritual thing, if you will pardon the reference. It was not just that they were doing something for the money they received, but all of a sudden there was not a stigma to having gotten assistance; there was a pride in having earned that assistance. That is as important as the help itself.

Mr. **Pease**. Thank you.

Chairman **Ford**. Mr. Levin.

Mr. **Levin**. I do not have any questions, just a brief comment on the 60 percent. I was looking at the GAO report that I think reflects on this, and it essentially shows that most of the people who receive welfare have been around a relatively short time, far shorter than 8 years. But a quarter of those who ever use AFDC receive it for 10 years or more, and that those long-term users account for almost 60 percent of AFDC recipients at any one time.

Mr. **Brown**. Thank you.

Mr. **Levin**. And, of course, that 60 percent includes children. We all want to be careful about these facts. However one looks at it, I think we come to essentially the same conclusion that there is a need to address the needs of those who are on AFDC for a long period of time. That represents for them and for society a major challenge.

Mr. **Brown**. Thank you very much.

Mr. **Levin**. Thank you, Mr. Chairman.

Chairman **Ford**. At this time we are very delighted to have one of the senior Members of the Congress, and a spokesperson for the elderly, the spokesperson for many in this nation.

Mr. Pepper, we are very delighted to have you appear and testify before our subcommittee today, and we look forward to hearing from you. Mr. Pepper.

STATEMENT OF HON. CLAUDE PEPPER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Mr. **Pepper**. Thank you very much, Mr. Chairman and members of the committee.

Mr. Chairman, if I may, I have a statement I will offer for the record.

Chairman **Ford**. Without objection.

Mr. **Pepper**. I would just like to make some comments on this matter. In the first place I am glad that this committee, which I know, will give it fair and objective consideration in dealing with the matter of welfare reform.

To some people—and I regret to say it seems to have been the policy of this administration—welfare reform means to cut off more and more people from the benefits of welfare. I have not heard of any proposal that they have submitted to put more people on welfare, yet there are many, many people in America who deserve to be on welfare who are not on there at the present time.

I divide the people who should be the beneficiaries of welfare into two categories: those who are potentially employable and those who are not potentially employable. Those who are not potentially employable need to be dealt with in a compassionate and, at the same time, an effective and efficient manner. They need to be protected, the government needs to be protected against fraud and the like.

Incidentally, all I ever hear about people imposing on the food stamp program, it is always a fat lady in a new Cadillac that drives up to a food market and goes in there with the food stamps, buys a lot of liquor and cigars and cigarettes. I said to them, "Why do you not use a Lincoln sometimes? That is a good car." [Laughter.]

They always insist she is in a Cadillac for some reason or another.

So those who are unemployable, of course, should be dealt with fairly and objectively. The programs should be efficient. We should protect the programs against fraud or imposition or unfair taking advantage of them.

The second group, the employables, there are three things that relate primarily to them. The one is they need education or training that will enable them to get a job and perform responsible work that is payable.

I wish this committee would come out for declaration on the part of the Federal Government that we are going to raise the compulsory education scale in the United States to high school graduation.

As it is now, they drop out about the ninth grade, around 15 to 16 years old. In my community of Miami and the environs there, that is particularly true of the black students.

Well, what chance has a boy or girl got who drops out of school in the ninth grade in this competitive society in which we live of getting a decent job? About all that is available, about all that he or she needs to do, unless they are a genius like Thomas Edison or somebody, about all they are fit to do is common labor. They usually do not want that kind of a job, and at their age they are not maybe capable of competing with grown men that are in that field of endeavor.

So the first thing to do, we have got to give them the education, and we ought to raise the compulsory education requirement to high school. That is the first thing.

The second thing, we ought to give them some kind of technical training, vocational training. I have never ceased to admire, as I happen to have been here when the Congress did it and am proud to have been a part of it, the GI bill. We took every man and woman that had been in the service in World War II, and we gave them an opportunity to get an education and to get some training.

I have heard it said time and time again on the floor of the House and the floor of the Senate and in various parts of the country that the increased revenue the Government derived from men and women who were better qualified is in excess of the cost of the program. And I believe it is true.

We enabled American citizens to do more to help build up the country by giving them training or educational skill. Education is not an expense; it is an investment. And yet the administration has cut educational opportunity right and left since it has been in authority, and I regret to see it.

So the first thing we have got to do is give them a chance to get an education. Down my way, I think 40 or 40-odd percent of the black boys and girls are unemployed. Well, unless they get a better education and better training, they probably are going to remain unemployed.

So the first thing in dealing with the potentially employable is to qualify them to work. The second thing is to enable them physically to be able to work. As the distinguished gentleman from New York has just pointed out here, a lot of people are not able to work. That relates to the program that we are going to be faced with in this Congress. How extensively are we going to provide health care to the American people?

One-fifth of the children in America today are living in poverty. They tell me today that the largest group of our population which is impoverished is the children's group.

The other day, the Senator from Connecticut, Mr. Dodd, and I introduced a bill, the Young Americans Act, like the elderly bill, the Older Americans Act, and I hope we can do that. But health care today is available only to a relatively small part and percentage of the American people.

I commend the President and I commend Dr. Bowen for making a feeble, timid, dwarf kind of a step forward, but that is all it is. The day before yesterday when my Subcommittee on Health and Long Term Care had a hearing on this subject, and on my bill, H.R.

65—which I hope you honorable colleagues will have a chance to see—which provides comprehensive care for the elderly. I am going to introduce another bill that will provide comprehensive care for everybody.

But we had a man here, a professor of geriatrics at Harvard Medical School, who is also on the MIT faculty and associated with Massachusetts General Hospital, one of the outstanding hospitals in the country. He pointed out, and I think he said less than 1 or 2 percent of the people in their hospital, I would assume a reasonable, normal, average hospital, stay longer than 2 months. Only 1 or 2 percent. We have estimated at the outside only 3 percent of the people will get the benefit of that bill. It provides nothing for home care or for nursing home care, nothing for drugs upon which the elderly spend $10 billion a year, nothing for eyeglasses, hearing aids. These hearing aids cost about $500 or $600 apiece. A lot of people cannot afford them, and they go around trying to hear what is going on around them.

Now, let me show you. The other day at our hearing, I read this statement: An 83-year-old man from Maine wrote me a letter about this hearing. He said, "Here I sit, the loneliest man that ever lived. I have admitted my wife of 55 years to a nursing home. She has Alzheimer's, and I am caught between a rock and a hard place. I can no longer provide the round-the-clock care she requires, and I will soon be unable to pay the cost of the care she is now getting which have exhausted our $160,000 in savings."

Now, how many Americans have $160,000 in the bank or in liquid assets?

One other man appeared in person before our committee. He called up the White House before he came to our committee hearing and told them, "I wish you would listen in on my testimony today. I think you ought to hear it."

And guess what he said? "I was 58 years old. I was a strong man physically. I had a good job. My wife and I owned our home, and I had four health insurance policies. And we had $140,000 in the bank."

He said, "I thought I was safe and secure from adversity in respect to health."

So what happened? He got the same information I got one day: Your wife has cancer. He said, "Shortly after that, I had a stroke. Shortly after that, I had a bad automobile accident." He said, "Now, I am trying to take care of my wife in the nursing home. I am trying to get along, disabled as I am. I am trying to survive." He said, "We have just about used up the last of my $140,000 in savings."

How many Americans have $140,000 in the bank and have four insurance policies?

So this thing, this bill, has to do with welfare. If we are going to try to do something about people, we have got to train them, qualify them. In the second place, we have got to make them able to do the job. Third, of course, we have got to provide the job.

I have never understood why this or any other administration, for that matter, ignores the wisdom and the experience that we developed under the Roosevelt New Deal. I can name some of the most prominent businessmen in Florida today that I got jobs for on the WPA program when I was in the Senate and we had that program. It did not pay but $26 a week, but $26 is $26 more than nothing, and at least you can get a modicum of livelihood out of that.

Why could we not have a WPA? I can tell you, Sam Gibbons and I, Representative Gibbons and I were talking the other day. Around the city of Tampa there is a wonderful sea wall. We mentioned that. That is a wonderful holdover, a legacy from those WPA days. There was some leaf-raking at the very beginning because they had not had time to formulate a program.

But all over America today are wonderful projects that were built by WPA. Why could we not create a job program and put them to work out there? At least give them something that they could be earning something on.

So if we are going into welfare reform, then let us take an objective look at the whole subject and see how adequately we are now providing. I do not want to waste any money, of course. We have got too many legitimate needs for our money that is available.

I do not want to give anybody any money that they are not entitled to receive, but I get sort of tired of people talking about welfare reform and all they talk about is cutting more people off of welfare, not putting anybody else on, not improving the quality of the program, not going to the roots of what the problem really is.

I will just add this. Take South Africa. The other day the Rules Committee was on a trip abroad, and we visited Abidjan on the Ivory Coast. That was a state and a society run by black people. Those of you who have been to Abidjan know it is a great modern city, beautiful, modern hotels, lovely highways, wonderful buildings, large buildings towering up in the sky, streets are wide and clean, and like a modern state. Black people built it. I wonder if these South Africans who denied the black people the chance to make a real contribution to their country have been up to Abidjan and seen what black people can do if you give them a chance.

These black boys and girls have a normal potential of accomplishment, but we have got to educate them; if necessary, make them take it. And the second place, we have got to make them able to work. The third place, we have got to help them get a job.

Thank you, Mr. Chairman. I am glad your committee, with its objective look and its fair attitude, is considering this subject.

[The prepared statement follows:]

STATEMENT OF THE HONORABLE CLAUDE PEPPER BEFORE THE SUBCOMMITTEE ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION

Mr. Chairman, members of the committee, please allow me to commend you for striving to reform the present welfare system. The poverty rate for families with children continues at appallingly high levels. Congress has an obligation to the future of our nation to attempt a revision of the AFDC program. Without our intervention ten million Americans are in danger of forming a permanent underclass. Let us find the strength and the financial resourcefulness to extend the dream of economic prosperity and a raising standard of living to all segments of our society.

I feel welfare reform can only succeed if it includes these three elements:

* Beneficiaries should be required to obtain their high school diplomas. Without basic educational skills they will never find adequate employment and upward mobility will always be elusive. The present requirement of eduation only until the age of 16 is not proper preparation for employment.

* Beneficiaries should have access to a variety of job training opportunities ranging from office work to plumbing to air conditioning repair. It is not enough, however, to train people. Once people have been trained they must be placed in jobs where they can use their newly acquired skills.

* To help people to stay employed adequate day care must be made available to working parents.

Mr. Chairman, after reviewing your proposals I wholeheartedly support your efforts to alter the AFDC program to keep families together by providing skills and opportunities to parents of our nation. I also support the idea of the participant and the government entering into a formal binding contract with known rewards and sanctions.

A comprehensive anti-poverty agenda must address the needs of Americans who have the least chance of escaping from poverty - our nation's elderly.. They represent about 15% of the total of all the poor and unless we act quickly their numbers are apt to grow. With the graying of America and the catastrophic health problem which accompanies it the poverty level among the elderly can be expected to escalate.

Health care bills are a significant threat to the income and assets of our elderly. In the next twelve months almost 700,000 elderly will be forced into poverty by a catastrophic illness. Under our present health care system the elderly cannot be helped until they have exhausted their life savings. The more they have put aside, the more they are forced to give up. They are penalized for a life of frugality. While Medicare and private insurance do a pretty good job of paying for hospital stays, there is virtually no coverage for the 20 million Americans who suffer from chronic ailments such as heart disease, Parkinson's disease or Alzheimer's disease, who have been permanently disabled by accidents or who need round the clock nursing care as they lie dying of cancer. Medicare and private insurance coverage end when it is needed the most.

Recently, I received a letter from a 83-year-old gentleman who lives in Maine. He said, "Here I sit the loneliest man that ever lived. I have admitted my wife of 55 years to a nursing home. She has Alzheimer's and I am caught between a rock and a hard place. I can no longer provide the round the clock care she requires and I will soon be unable to pay the costs of her care." This couple in Maine illustrates how our system fails the elderly by forcing them into poverty.

I want to emphasize that our health care system is creating a new class of elderly poor. The people who are being impoverished by medical bills were once comfortably middle class. Not long ago Ed Howard who lives in Upper Marboro, Maryland testified before my subcommittee about the high costs of his round the clock care and his wife's final illness. In the year before his wife's death Mr. Howard spent over $17,000 of which exactly $64 was reimbursed by his four insurance policies. In the last four years he has spent over $160,000 on medical care. There are millions of elderly who have not managed to save even one-tenth of this amount.

H.R. 65 which I have introduced would keep millions of individuals from falling into poverty as a result of staggering medical bills.

The highly publicized Bowen plan would help only about 3% of all beneficiaries who will either spend more than 60 days in the hospital or more that $2,000 in a given year on medical expenses. The President's plan would not help 97% of the elderly when catastrophic illness strikes, which requires long term convalescence outside of a hospital. The costs bankrupt many people. My bill will keep millions of individuals out of poverty by covering their medical bills inside and outside of the hospital. The government would contract with private industry and non-profit groups to provide long term care. It would also cover prescription drugs, eyeglasses, hearing aids, and foot care.

We can provide far more benefits to the elderly and the cost to the individual would be approximately $800 a year, about half of the amount currently being spent on health care. This can be achieved because the elderly no longer will need to purchase medi-gap policies. Additional funds if necessary will be provided by workers who will pay a small percentage each month on their income. This health insurance policy is analogous to home or fire insurance; you may never need it but it is well worth the cost for that feeling of financial security.

I urge my colleagues to support H.R. 65. Programs designed to prevent people from falling into poverty can be just as important and effective as programs designed to lift people out of poverty.

Chairman **Ford**. Thank you very much, Mr. Pepper. You know, it is very clear that not only in this area of welfare reform but you have made a great contribution in the area for the elderly. You have been a strong spokesperson in this House as well as on the other side of the Congress while you served in the Senate.

You know, you talked about the unemployment problem among black minorities, and you have talked about some of the problems in urban areas. We know that there are many, many problems that are out there. We want to try to address some of the problems which lead to welfare dependency and teenage pregnancy.

We reported from this subcommittee 2 years ago a teenage pregnancy bill which passed the full committee and passed the House of Representatives. We thought that it would have been agreed upon in conference on the reconciliation bill in the last Congress, but it was not.

I am not saying that teenage pregnancy is the only answer to the welfare dependency problems that we are faced with. There are also unemployment problems, lack of education on the high school level, and the lack of any type of a meaningful skill or skills that could be picked up. Those who are forced out of the workplace could, in fact, become productive citizens once again.

It is the intent of this subcommittee and, as we make progress from the subcommittee level we will keep you advised as a strong voice in the Congress and the chairman of the Rules Committee, of what we are doing. Once we reach agreement on the subcommittee level, then we will let our colleagues in the full House know, and also those who serve in key positions that will have a lot to say about this legislation.

Mr. **Pepper**. We will cooperate with you in every way we can, Mr. Chairman. We appreciate it.

Chairman **Ford**. Mr. Pepper, again, thank you very much.

Mr. Downey.

Mr. **Downey**. Mr. Chairman, I see the presence of others of our colleagues in the room, and I do not want to spend too much time in effusive praise of the gentleman I see before me. But every time I see Chairman Pepper, I am reminded of the fact that, when he was born, a Czar was ruling in Russia and the Kaiser was on the throne in Germany and that he is our living window to the past and he has managed not only to tell us about how government once was, but to continue to provide us a vision of what it should be.

Mr. **Pepper**. Thank you very much.

Mr. **Downey**. Today he has given me a better way of explaining what we want to do, the fact that we have got to divide this into those who can work, those who cannot; that the family is the unit that brings those together, and that has got to be our role.

Mr. Pepper, I would ask you one question, and that is, in the process of writing this welfare reform bill, we are going to cross jurisdictional lines. We would look forward, and I would just echo what Chairman Ford has said, to your support in helping us in the Rules Committee to put together a package that will make sense and that we can do in a timely fashion.

Mr. **Pepper**. We will cooperate with you with pleasure and do it with delight.

Mr. **Downey**. Thank you. Thank you, Mr. Chairman.

Mr. **Pepper**. I had a thought there. I will wait a minute. It will come back to me in a minute.

Chairman **Ford**. Mr. Brown.

Mr. **Brown**. No questions.

Chairman **Ford**. No questions. Mr. Pease.

Mr. **Pease**. Mr. Chairman, I would like to associate myself with the remarks of Mr. Downey in praise of the chairman of the Rules Committee. You certainly have been an outstanding member of Congress, and an inspiration to us all, Mr. Pepper.

I would be interested in your comments about WPA and what it accomplished during the 1930's. My thought, as I expressed earlier in the discussion with Mr. Brown, is that there are a lot of people out there who are not very well educated or trained for jobs, and that when they are trained to compete for jobs in a society where there are 7 million people unemployed, many of whom have a long history of employment, those poorly qualified applicants are going to have a tough time getting a job. And the benefit of something like WPA is that it provides a place for relatively unskilled labor.

Perhaps a national WPA now would not go over very well, but would you agree with me that as we provide States with flexibility to devise experiments in welfare that it might be worthwhile to encourage some States to set up State level or local level public service type job sources like WPA, so that we could test out whether we could say to somebody absolutely, "You applied for welfare. You are able-bodied. Here's where you show up for work. If you do not show up for work, then you do not get your welfare check"? Do you think that would be a useful thing?

Mr. **Pepper**. I have said to my distinguished friend I think it would be. Too often the States just do not rise to the challenge of their opportunity. If they really are looking for some way to improve the situations, why, of course, everybody that is able to work ought to work.

What I started to say a minute ago that temporarily slipped my mind, one of the most dramatic scenes I have seen on the floor of the House—I think he would not mind my mentioning his name because he spoke before the House. I had the bill up from the Rules Committee to commemorate the 100th anniversary of President Franklin D. Roosevelt's birth. I was just almost finishing up the bill, handling the rule, when Dan Daniels, our distinguished colleague from Virginia, came over to me and said, "Claude, how much more time have you got?" I said, "Four minutes." He said, "Will you give me two?" I said, "Of course."

He got up on the floor before the full House. He said, "I would never forgive myself if I did not stand up here when Franklin Roosevelt's name was being brought up and a proposal to honor him was being considered." He said, "I was the son of a tenant farmer family in Tennessee." He said, "We had no education. I managed to get a membership in the CCC program, and that opened my eyes to the future of the country and the future of the world, the future of my own life."

He said, "I am here today, I think, because of the inspiration I derived from that program." And he said, "I am proud to acknowledge my debt to Franklin Roosevelt who made that possible for me."

Now, that, as you know, is one of the distinguished members of the House, basically conservative in attitude, but he stood up before his colleagues and expressed his gratitude.

Well, what is wrong with the CCC program now? Why could we not use that and other programs? But if we will tell the States, go find the best way to employ these people, we will give you a chance to experiment. That is good. Just do it.

You saw the other day we had a little 4-year-old girl in Alexandria that had liver trouble. She had to have a transplant. The Virginia authorities construed their Medicaid authority not to include that kind of aid. A district judge agreed, but thank goodness a court of appeals judge reversed that and told them, "Give that little girl the money to have her transplant."

So if the States will take it in good faith and do something, I think they should be given an opportunity to do it.

Mr. **Pease**. Thank you.

Chairman **Ford**. Mr. Levin.

Mr. **Levin**. We were just talking in admiration of you. We will not embarrass you. No questions. We are so glad you could be here.

Mr. **Pepper**. Thank you very much.

Chairman **Ford**. Mr. Wheat, you are not a member of the subcommittee, but you do serve on the Rules Committee. This is the chairman of the Rules Committee, and I would hate not to ask permission from my colleagues to recognize you out of order at this point.

Mr. **Wheat**. Mr. Chairman, I do appreciate the opportunity to talk to my chairman in a somewhat different role than we normally have.

Mr. Chairman, let me once again add my words of admiration. I get to work with you on a regular basis. These Members do not have that same fortunate opportunity. I appreciate the compassion with which you speak of the way government ought to work, and especially the way it has worked in the past in programs that have accomplished similar goals to what this committee has set out today.

I would like to ask just one substantive question, if I might. You mentioned the WPA and how that assisted in providing people jobs early on in this century. One of the consensus that seems to have been arrived at quickly in this committee is the fact that people ought to have the opportunity to earn what assistance they are provided.

I wonder if in the WPA there was some clear distinction made that, when people worked for their assistance, that they were not receiving welfare benefits as such, but they were working in the grand tradition in this country, working on a job, and that they were provided training that, as you point out, was able to put them in good stead for later in life as they transitioned into private sector employment?

Mr. **Pepper**. Well, the distinguished gentleman has intimated in his question the proper attitude; namely, the WPA was a sort of an overall, catch-all, expeditious way of providing a job opportunity to the unemployed people. Maybe it could be refined. Maybe we have learned from experience and passage of time a wiser way to handle it.

I think all welfare recipients that are able to work should have a chance, should be required to work, but we have got to give them work to do. What are they going to do if there is not a job available?

There ought to be day care, by the way. I hope you will consider adequate legislation relative to the protection of children in day care centers. We have had several instances in my area in Miami of where babysitters are just picked at random by parents who had to go to work and sometimes abuse the children. We may come to a time when we may have to require getting authority from the State in order to be a babysitter, because that is an important responsibility.

But, anyway, there are a lot of mothers that are on welfare that could be doing useful work, provided we would say, now, Mrs. Jones, we are willing to help you, we are going to get you a job over here. Most of the people, I believe, on welfare would be glad to work if they had an opportunity to do so.

So we cannot blame them for not working unless we give them a chance to work, a place to work and honorable employment. And I believe most of the welfare recipients who are physically able would accept an opportunity to do honorable work if we will afford that opportunity to them.

Is that what the gentleman had in mind?

Mr. WHEAT. I think you sum it up very well when you say that welfare recipients, as well as everyone else in our society, would be glad to do what would be honorable work.

Mr. PEPPER. That is right. That is right, honorable work. I am not talking about giving them something that is not honorable or not reasonable for that individual, but of finding appropriate employment for them and inviting them to do it. I think most of them will gladly accept the opportunity.

Chairman FORD. Mr. Pepper, thank you again for your testimony.

Mr. PEPPER. I appreciate your kindness, Mr. Chairman.

Chairman FORD. At this time the Chair will recognize Mr. Levin who is a member of the full committee.

Mr. LEVIN. Mr. Chairman, I wonder if I could go on right after Mr. Florio.

Chairman FORD. Of course. The Chair will recognize one of our distinguished colleagues from the Commerce Committee. We welcome you, Mr. Florio, before the subcommittee. The Chair will recognize you at this time.

STATEMENT OF HON. JAMES J. FLORIO, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY

Mr. FLORIO. Thank you very much, Mr. Chairman. I particularly appreciate the generosity of the gentleman in yielding to me and members of the committee.

In the interest of conserving the committee's time, I have a prepared statement that I would like to put into the record in its entirety, and I will briefly just summarize the key points that I think I would like to bring personally to the committee.

Chairman FORD. Without objection, it will be made a part of the record.

Mr. FLORIO. Perhaps I would like to shift the focus because there are lots of aspects of this that, of course, the committee will be considered. I would like to focus my presentation on the wasted resources that the current welfare system provides for in having so many people who are currently on welfare not being able to develop themselves to the fullest extent of their potential.

I think this committee knows very well that there are 33 million people in the country, 14 percent of the Nation's population, who currently live in poverty. Therefore, we are effectively doing as a society, as an economy, without the full extent of the benefits that that large percentage of our population could contribute, other things being equal, to the stronger economy we all seek to achieve.

I am the chairman of a new subcommittee that has just been created in our Energy and Commerce Committee dealing in an effort to improve the competitiveness of our economy in world trade. Therefore, for us to go into that effort—which I think will be the focal point of our responsibilities in this Congress over the next number of years—without utilizing the human resources that are available in the current welfare system is foolish, and we cannot afford to do that.

Let me give you a few facts. The work force is shrinking. The number of people who will be available to perform highly sophisticated jobs needed in the future is decreasing. But the problem does not just exist at the top of the economic ladder; it is existing at every level through the course of the economic needs that we have for productive jobs in the future.

The U.S. Department of Labor estimates that within a decade nearly 50 percent of the entry level work force of this Nation will be composed of minorities, immigrants for whom English is a second language, and other low-income individuals.

Mr. Downey would be particularly interested to know that the Port Authority of New York and New Jersey predicts that the New York-Newark metropolitan area will experience severe labor shortages among entry-level workers by the year 2000 unless steps are taken to reverse current trends.

As we reform our welfare system, it has to be done with an eye on developing the full potential of all of our citizens to meet those needs of the future—work force needs, competitive needs of the future.

I think everyone agrees on the overall goals. The difficulty is how to effect those goals. It is a matter of public record, I suspect, that there is considerable hostility among the public to the perception that public assistance programs have inappropriate costs, there are abuses. Those types of things have to be dealt with in reality, and I am convinced that those exaggerated views are inappropriate but we have to take into account that they exist.

To give you some sense of how we do that, I think we have to realize what the welfare population is. To give you an example from my own State, of the 371,000 people receiving AFDC in New Jersey, 249,000 of those recipients are children. Nationally, one in five are poor of the children's population. I could give you other numbers that I will put into the record.

What I would also like to leave you with is the idea that we should not measure success of welfare reform by short-term declines in the welfare rolls, an objective that could easily be achieved through a whole series of punitive measures. Rather, we have to measure success in the long-term decline in welfare dependency, especially among young women, young mothers, so as to be able to increase the productivity of our work force in the way that I have mentioned before.

If we are going to deal with those work experience problems, the education problems, and the occupational skill problems that the welfare population currently has, we are going to have to invest some resources. It is going to cost money. We should not delude ourselves and we should not allow ourselves to, in a sense, be tricked into the thought that is a no-cost approach. We cannot be doing the block grant mentality whereby you say you are going to have efficiencies and you are going to cut moneys, and then allow different competing programs to allocate a lesser amount of money, and somehow think you can make something out of nothing. That is not the case, and I think this committee fully appreciates that.

Minimum wage jobs, by the way, are not going to be the answer. As I suspect this committee knows, you can be working full-time at a minimum wage job and have a family still in poverty, as defined by the Federal Government.

I guess the last point that I would suggest to you is that we have to reform and restructure the welfare system so as to not penalize those who would go to school by changing the regulation that deducts financial aid from welfare benefits. We have to change the system to provide for transitional support services, such as child care and medical assistance and transportation amounts, for those who obtain private sector jobs. We are going to have to encourage mothers with young children to enter the work force, and that requires that we have nursing care and day care programs. If we are going to expect people to get off of welfare, we have to ensure the continued availability of adequate medical insurance programs, which they now lose when they go on to the employment rolls.

Mr. Chairman and members of the committee, this is a very important modification in this very important program that is going to address the obvious humanitarian concerns that hopefully we all share. But I am here to inject a tough-minded component in the deliberations that will emphasize the fact that we as a nation, concerned about our national economy in the global marketplace, cannot afford the luxury of having this large percentage of our population not contributing to the fullest extent of their potential capability. So for those who are not impressed by the humanitarian concerns of this initiative—and I know there are some; not in this room, but there are some out there—let us talk in terms of cost effective programs, let us talk in terms of cost. I know that this committee is aware of these things, and I just commend you for what you are doing.

[The prepared statement follows:]

TESTIMONY OF
THE HONORABLE JAMES J. FLORIO
BEFORE THE
SUBCOMMITTEE ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION
OF THE HOUSE WAYS AND MEANS COMMITTEE
THURSDAY, FEBRUARY 19, 1987
WASHINGTON, D.C.

Mr. Chairman and members of the Subcommittee. Thank you for providing me with the opportunity to appear before you today to discuss the issue of welfare reform.

As we in the Congress begin the complex and critical challenge of reforming our welfare system, I would like to discuss an aspect of the problem that especially concerns me.

There are 33 million people, or 14 percent of our nation's population, living in poverty.

What this means is that we are doing without the contribution that millions of our fellow citizens can make to our economy, our society and our country.

As a nation, we cannot disregard or ignore the potential contribution that a sizeable percentage of our population can make. We must use the human resources we have if we are to succeed in an economically competitive world.

Permitting a considerable number of our population to remain under-employed, insufficiently educated and economically dependent will leave us without the skilled workforce we need to compete on the economic world stage.

No one would think of letting a large percentage percent of his or her personal income go unused. Then why are we as a nation letting a sizeable percentage of our assets remain unproductive?

I have recently become chairman of a newly formed commerce Subcommittee that will deal with America's economic competitiveness today and in the future.

The subcommittee will address a wide range of issues affecting our nation's ability to compete in international markets while providing a healthy economy and sufficient employment opportunities for our fellow citizens.

America is competing head to head with highly industrialized and organized societies like Japan and West Germany. Letting America compete on the world economic stage without using all of our resources is a prescription for potential disaster.

Our workforce is shrinking. The number of people who will be available to perform the highly sophisticated jobs needed in the future is decreasing. We will have fewer people available for the jobs that require extensive training, education and skill.

Will they be there when our country needs them to keep America productive and competitive? Or are we permitting our greatest natural resource to lay fallow for the rest of this century?

The problem does not just exist at the top of the economic ladder. It is at every rung.

The U.S. Department of Labor estimates that within a decade, nearly 50 percent of the entry-level work force of this nation will be composed of minorities, immigrants for whom English is a second language and other low-income individuals.

The Port Authority of New York and New Jersey predicts that the New York - Newark, New Jersey, metropolitan area will experience severe labor shortages among entry-level workers by the year 2000 unless steps are taken to reverse current trends.

As we reform our welfare system, it must be done with an eye on developing the full potential of all of our citizens to help our nation meet the complicated challenges of the future.

The overriding goal of welfare reform must be to encourage welfare recipients to obtain and keep jobs that will allow them to break out of economic dependency.

There is widespread agreement that the welfare system is not effective in helping people become economically self-sufficient. Practically everyone agrees on the goal of welfare reform, but there is substantial disagreement over how to accomplish effective welfare reform.

There is also considerable hostility among the public toward public assistance programs because of exaggerated perceptions of welfare costs and myths about the indolent behavior of welfare recipients. However, as I am sure you are aware, studies have repeatedly shown that many who are on welfare want to work in productive, satisfying and meaningul jobs.

We must keep in mind who benefits from welfare.

Of the 371,000 people receiving AFDC in New Jersey, 249,000 welfare recipients are children. Nationally, one in five children is poor, a higher rate than for adults or the elderly.

Of the 124,000 welfare cases in New Jersey, 96 percent are single-parent headed households. A majority of these families are headed by single women. A family of three with no income receives $404 a month in AFDC benefits.

The question is are we going to consign future generations of children to cycles of economic dependency or are we going to find a way to break this repeating pattern of poverty?

We should not measure the success of welfare reform by short-term declines in the welfare rolls, an objective that could be achieved quickly through punitive measures. It would be a short-lived victory followed by a return to economic dependency by those temporarily forced off the welfare rolls.

We should measure success in the long-term decline in welfare dependency, especially among young mothers.

In order for welfare recipients to achieve economic independence, we are going to have to change our thinking about the role of welfare. Currently, welfare is a program in which the haves give modest support to the have-nots under strict regulations to prevent fraud.

At present, welfare is a bank teller distributing assistance to families generation after generation without any real effort being made to break the cycle of poverty and economic dependency.

To do that, we must provide a welfare system that leads to long-term employment in the private sector.

A large proportion of people on welfare are there because they lack work experience, education and occupational skills. Therefore, we must invest resources to prepare them for jobs that provide a realistic and meaningful alternative to welfare.

Minimum wage jobs in fast-food restaurants and behind cash registers in department stores are insufficient. The salary from working full-time all year at a minimum wage job is under $7,000 -- less than enough to keep a mother and one child above the poverty line.

We must face the hard facts that real welfare reform will take investments the public may not be willing to make now. The current mood in Washington pushing for more cutbacks in social services also presents a considerable obstacle.

But unless we are willing to make short-term investments in successful welfare reform, we will be forced to endure costly and open-ended expenditures for years to come.

We must restructure the welfare system so that it does not penalize those who go to school by changing the regulation that deducts financial aid from welfare benefits.

We must change the system to provide transitional support services, such as childcare, medical assistance and transportation for those who obtain private sector jobs.

If we are going to encourage mothers with young children to enter the workforce, we must make sure there is adequate and safe childcare.

If we are going to expect people to get off welfare, we must insure the availability of adequate medical insurance programs, which they now lose with employment.

Significant welfare reform is achievable. But it will take a major commitment by the public and their elected officials.

To do less is to undermine our economic future and lose the contributions 14 percent of our fellow citizens can make to our society.

Chairman **Ford**. Let me commend you and thank you for your testimony. It will be very fruitful to us when we have a bill before the committee and are marking it up.

Thank you for being right on target with the things that you have discussed with us today.

The Chair recognizes Mr. Downey.

Mr. **Downey**. Thank you, Mr. Chairman.

I have had the pleasure of not only coming to the Congress with Mr. Florio, but he and I spent a little bit of our time worrying about the Superfund bill last year. It is a real delight, Jim, to know that you are going to be involved in this as well.

My question to you, quickly, is that clearly a social contract or work component or welfare reform bill—whatever you want to call it—crosses jurisdictional lines. And Chairman Ford and I have discussed just tentatively the idea of whether it is a good one or a bad one.

That is basically the thrust of my question, of whether or not a committee, such as the one set up in 1977 or 1978 by Speaker O'Neill that took the interested members of both parties who were interested in welfare reform and gave them a task to write a bill, is a good idea, or should we try to do it separately within some sort of time frame?

I think both approaches have problems and both have benefits, and I am curious to know what you think.

Mr. **Florio**. Well, I think the practical factor, particularly if we are dealing with time frames, is that you are going to have some difficulty in trying to have this committee, the super committee system that has been tried in the past and has not always been totally successful. The reference you are making is to the energy——

Mr. **Downey**. It was successful in the area of energy, but it was not successful in welfare because there were two super committees set up.

Mr. **Florio**. Yes, that is right.

I am at a loss as to give you the definitive statement as to which is a preferred approach. I think what it does is to cry out for congressional committee reform, which is something that nobody wants to talk about but certainly it should be undertaken at some particular time.

Mr. **Downey**. Members of the Ways and Means Committee always blanch at the idea of committee reform, given our jurisdiction. I would appreciate it if you would give it a little thought, however.

Mr. **Florio**. I will.

Mr. **Downey**. Because I think it is really one of the critical procedural questions that we are going to have to address if we are going to do this.

Thank you.

Chairman **Ford**. Mr. Brown.

Mr. **Brown**. No questions.

Chairman **Ford**. Mr. Pease.

Mr. **Pease**. No questions.

Chairman **Ford**. Mrs. Kennelly.

Mrs. **Kennelly**. No questions.

Chairman **Ford**. Mr. Levin.

Mr. **Levin**. No questions.

Chairman **Ford**. I thank you very much, Mr. Florio.

Mr. **Florio**. Thank you very much.

Chairman **Ford**. The Chair will call Mr. Petri at this time to give testimony before the subcommittee.

STATEMENT OF HON. THOMAS E. PETRI, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WISCONSIN

Mr. **Petri**. Thank you, Mr. Chairman and members of the committee.

Chairman **Ford**. We are delighted to have you. We are sorry that you have been waiting so long to testify, but we are delighted to have you.

Mr. **Petri**. I am going to talk on just one narrow part of what is a very big problem in our society, and that is the fact that, despite all of the efforts that have been made over the last several decades, we have seen a rapid rise in the number of illegitimate children in the United States, to the point where half of the children, for example, born in Milwaukee County in Wisconsin are now illegitimate. This is going to be a problem that we are going to have to live with now as they go through the whole education system, job market, and everything else.

We all know that we are the results of a lot of human investment, as well as government investment, including the efforts of a mother and father and relatives who took the time to spend some time with us. These children are not going to have those resources in the same measure that most of us did. It is a big problem.

So I would like to just testify on a feature of the AFDC laws that provides an incentive to break up families. Current laws allow minor mothers, no matter how young, to set up their own households and receive various welfare benefits in their own names. What is worse, in most cases the extended family is better off if they do that than if they do not.

Consider a typical example in my own state of Wisconsin. An urban, three-person, AFDC family with little other income receives $684 per month in AFDC, food stamps, and energy assistance. Now, suppose that a 13-year-old daughter in that household has a baby. If she and the baby live at home with her parent, the extended family is then a four-person household. As such, it is eligible for $815 per month in AFDC, food stamps and energy assistance.

However, if that 13-year-old girl moves away with her baby and sets up her own household, the extended family then consists of two two-person households, each of which is eligible for $564 per month in AFDC, food stamps, and energy assistance. The two households then have a combined income of $1,128 per month from these three programs; in other words, $313 per month more than the extended family would get if it consisted of a single four-person household.

Consider for a minute what we are saying with this kind of a law. In the first place, we are telling potentially rebellious adolescent girls that they can become financially independent if they have babies. Beyond that, we are telling them that, after they have had babies for whatever reason, not only are they allowed to set up their own households, but that their extended families will actually be better off if they do so.

So these, it seems to me, are perverse incentives. Even if we are not sure anyone is influenced by them, they should not, in my opinion, be in the law. Adolescents, with or without their own babies, still need the supervision of parents and guardians. And by allowing them, even encouraging them, to leave home, I am sure we are actually hurting some of these young people instead of helping them.

The simplest way to fix this problem is to require that minor unmarried mothers stay home with their own parents in order to receive welfare benefits, except in cases where there is no parent or guardian, where the adolescent was already independent before having the baby, or where there is a concern about that individual's safety.

Yesterday I introduced a bill to do that, and I urge the committee to give it serious consideration.

The Senate has passed similar provisions in previous Congresses—it is one of Senator Moynihan's pet projects—but the House conferees have always objected. Several States have tried to do this on their own, but the courts have ruled that Federal law prevents them from doing it. So I think it is time for the House to get behind this reform so that we can stop harming the people that we are trying to help. Even if we do not adopt a nationwide requirement that minor mothers stay home in order to receive welfare, we should at least allow the states to adopt such requirements if they wish.

That is it. It is a small change, but I think it will at least bring more human resources to bear on helping these children that find themselves in AFDC families.

[The prepared statement follows:]

TESTIMONY OF REP. THOMAS E. PETRI
WELFARE REFORM HEARING
SUBCOMMITTEE ON PUBLIC ASSISTANCE
AND UNEMPLOYMENT COMPENSATION
HOUSE COMMITTEE ON WAYS AND MEANS
FEBRUARY 19, 1987

Mr. Chairman, I want to thank you for giving me the opportunity to testify here today on the issue of welfare reform. I will take just a few moments of your time to discuss just one major failing of current AFDC law: a feature that provides an incentive to break up families.

Current law allows minor mothers, no matter how young, to set up their own households and receive various welfare benefits in their own names. And what is worse, in most cases the extended family is better off financially if they do that.

Consider a typical example in my own state of Wisconsin. An urban three person AFDC family with little other income receives $684 per month in AFDC, food stamps, and energy assistance. Now suppose a thirteen year old daughter in that household has a baby. If she and the baby live at home with her parent, the extended family is then a four person household. As such, it is eligible for $815 per month in AFDC, food stamps, and energy assistance. However, if that thirteen year old girl moves away with her baby and sets up her own household, the extended family then consists of two two-person households, each of which is eligible for $564 per month in AFDC, food stamps, and energy assistance. The two households then have a combined income of $1128 per month from these three programs, or $313 per month more than the extended family would get if it consisted of a single four-person household.

Consider for a moment what we are saying with this kind of law. In the first place, we are telling potentially rebellious adolescent girls that they can become financially independent if they have babies. But beyond that, we are telling them, after they have had babies for whatever reason, not only that they are allowed to set up their own households, but that their extended familes will actually be better off if they do so.

Mr. chairman, these incentives are perverse. Even if we are not sure anyone is influenced by them, they should not be in the law. Adolescents, with or without their own babies, still need the supervision of parents or guardians. By allowing them -- even encouraging them -- to leave home, I am sure we are actually hurting some of these young people instead of helping them.

The simplest way to fix this problem is to require that minor unmarried mothers stay home with their own parents in order to receive welfare benefits, except in cases where there is no parent or guardian, where the adolescent was already independent before having the baby, or where there is a concern about safety. Yesterday I introduced a bill to do that, and I urge the committee to give it careful consideration.

The Senate has passed similar provisions in previous Congresses, but the House conferees have always objected. Several states have tried to adopt such provisions on their own, but the courts have ruled that federal law prevents them from doing it. I believe it is time for the House to get behind this reform so we can stop harming the people we're supposedly trying to help. But even if we don't adopt a nationwide requirement that minor mothers stay home in order to receive welfare, we should at least allow the states to adopt such requirements if they wish.

The Congressional Budget Office says this reform would save twenty million dollars or so per year, but that is not the major reason for adopting it. We should adopt it in order to remove from the law perverse incentives for breaking up families.

Chairman Ford. You know, we would like to correct this. Let me ask you this: If a 13-year-old child has had a baby—unless there is some safety reason for that person or that mother with the child to leave home, we have to give them protection—but how would we treat the grandparents' income? Should we take into consideration the grandparents' income? Oftentimes this means taking the 13- or 14-year-old child who has given birth and denying her the Medicaid benefits, denying her the AFDC benefits if the income of the grandparents is taken into consideration?

Mr. Petri. I think you ought to take into consideration the income of the father, if possible, and he has the primary obligation to provide for his child.

Chairman Ford. We understand that, but I want to deal directly with the testimony.

Mr. Petri. You would increase the household by one; they would get one more benefit.

Chairman Ford. We have really been emphasizing work, education, and training, and are concerned about teenage pregnancies that occur when the girl is 13, 14, 15, or 16 years old. We want to make sure that help is provided before multiple pregnancies occur, before this unwed mother becomes, by the age of 20, a parent to three children and a part of that hard core dependent and who will never be a self-sufficient mother. We want to make sure that we do not deny the proper protection for this 13- or 14-year-old, and that we try to prevent multiple pregnancies and we try to make sure that a high school education or the equivalent is provided for that young teenage mother who has experienced a pregnancy at an early age.

Naturally, we are concerned about the income of the grandparents as it relates to the eligibility standards that would be applied to the grandchild and the daughter.

Mr. Petri. Well, you know, I think it would be worth thinking about, if you want to, but send the check at least to the grandmother, not to the minor daughter.

You have a situation where——

Chairman Ford. The eligibility is the real question.

Mr. Petri [continuing]. You are trying to maintain control in the family and a little family discipline, and the daughter is going to be able to go out on her own and the government is going to subsidize her. That is not a very good way to support a parent who is sincerely trying to help.

Chairman Ford. The point is well taken.

Mr. Petri. The other thing, just by the by, in my own area, the way AFDC works, the statistics in a way are a little exaggerated in this sense: that an awful lot of people are discovering that they only have to lie once. They have to say they do not know who the father is and not have a marriage license. Then they can get two incomes. The father can work at the factory or wherever; the mother can stay home and take care of the child, in a traditional family structure, and get AFDC. That is happening, according to welfare directors in my area, increasingly, and it is something that we ought to give a little thought to somewhere along the way, too.

So instead of having to have both go out and work, $600 is not a lot, but it is after taxes. And you have to make $1,000 or so a month before taxes to compensate, and people find the incentives are such that their children end up being listed as illegitimate.

Chairman **Ford**. You know, in half of the States today, the unemployed father, in order for the children and the mother to be eligible for the AFDC benefits, cannot live in the home. These fathers are told that by the Government. We have had unemployed parent legislation before the last two Congresses. Hopefully, it will be one of the strong components of welfare reform or part of a separate bill reported before the welfare reform package mandating all States make the father part of the family unit, whether it is a case of teenage pregnancy or not.

Mr. Downey.

Mr. **Downey**. I am not sure that beyond the general concept of strengthening the family unit, which is really what you are talking about, is it not, Tom?

Mr. **Petri**. Yes.

Mr. **Downey**. There is disagreement. I mean, I agree with that, and to the extent that you could have an extended family, legislatively or by direction, make sense, I am not sure that we are ever going to decide to give the grandmother the check. I mean, as the chairman said, the eligibility flows from the minor daughter through the result of her child.

What I would like you to tell us, if you can, now, please—if not, then provide it to us—how big a problem this is, the one that you are addressing, the idea of minor children setting up separate households where the difference is that by virtue of the fact that two separate households are set up. You are spending more money and getting less for it.

Mr. **Petri**. Sure. That would be very easy to find.

Mr. **Downey**. OK. I would appreciate it if you would provide that. I would also appreciate it if you would think about this concept that Mr. Ford has developed, which I am in absolute agreement with; that is, this notion of not counting the grandparents' income as a tool of keeping the minor daughter and the child in the grandparents' household. Because once you start counting the grandparents' income, the incentive is for the grandparents to not want the child there, or for the daughter not to want to stay because eligibility then would be reduced, not increase.

That to me is one of the issues that we have to wrestle with, and I would appreciate it if you would think about that as well.

Third, the point of child support enforcement, which I think you touched on briefly, is one that we are going to spend a lot of time on simply because the idea of child support enforcement, making the father responsible to the family unit, is critically important.

Mr. **Petri**. I really wonder about the idea of subsidizing girls in wealthy families when they move away from home after they have a baby. I think the parents have a responsibility for their children, and that we should not undermine that.

Now, when you get into the actual mechanics in a variety of different situations, sure, I agree that we ought to be studying it. But I think there are problems with both approaches that we have to think about.

Mr. **Downey**. Well, I am not going to lecture you, but I am going to make sure you understand that I do not think that there is a real big problem in our country on subsidizing wealthy families on AFDC. I mean, frankly, I think that is a throwaway line. I am going to come down very hard on you about the idea that somehow the welfare problem in this country is that there are wealthy families here who cannot agree on what to wear, and they decide to move out.

Mr. PETRI. We will provide figures that will show there are a lot of people who are not of age who are having babies and qualifying for AFDC.

Mr. DOWNEY. Yes. I do not doubt that there is a problem. I just do not think it is very big.

Chairman FORD. Mr. Pease.

Mr. PEASE. No questions.

Chairman FORD. Mrs. Kennelly.

Mrs. KENNELLY. No questions.

Chairman FORD. Mr. Levin.

Mr. LEVIN. No questions.

Chairman FORD. Thank you very much, Mr. Petri.

Our next witness is Mr. Goodling of Pennsylvania. We welcome you before the subcommittee, and we recognize you at this time for your testimony.

STATEMENT OF HON. WILLIAM F. GOODLING, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. GOODLING. Thank you for allowing me to present a couple of ideas that I have as you deal with a very important problem and a very big problem, welfare reform.

First of all, Mr. Chairman, I want to make sure everyone understands I do not—and I repeat, not—believe we have a subculture in our country consisting of individuals who like being on welfare. I think with proper incentives, the proper education, proper training, the majority of individuals would prefer to be part of the working population.

Recently, in part of my responsibility in the Education and Labor Committee, I had an opportunity to hear Governor Bill Clinton talk to a group, and one of the areas he talked about really impressed me. I recommend you study the proposals he is coming up with, which are going to be released, I believe, and considered this weekend at the National Governors Conference. "Making America Work, Productive People, Productive Policies." There are a lot of things that he deals with that I find very important and I think would be very helpful, particularly the area of bringing down the barriers.

One of the key components of their welfare reform proposal is the fact that they would have a contract between the recipient of public assistance and the agency administering the program wherein the recipient agrees to participate in a series of activities designed to move that recipient towards self-sufficiency. As I indicated, this will be considered by the Governors this weekend.

For instance, he gave an example of a young teenage mother contracting to finish high school and at the same time attending parent training classes in exchange for the receipt of public assistance. The State would also then provide support services such as child care and health coverage while the recipient completes her education and works toward economic independence.

The Governors' Association is also considering teenage pregnancy, adult illiteracy, school dropouts, and these are all factors which lead to welfare dependency. They are all issues that are very important to me, serving on the Education and Labor Committee. I am especially concerned and have introduced legislation attacking the illiteracy problem in the country. When you think we have somewhere between 20 and 60 million functional illiterates in this country, not only is it devastating to their well-being and their pride, it is also devastating to think that we could ever be competitive again with the illiteracy growth as it is.

The Even Start Program, which I included in the chapter 1 revision Chairman Hawkins and I introduced, would deal with preschool children and with parents who are functionally illiterate at the same time. I do not think you can ever break the cycle unless you deal with both at the same time, and I think you have to deal with them in a preschool setting. That will be part of chapter 1, I hope.

It is, in my mind, a problem which we must solve. If parents cannot read and write and are dependent on the welfare system, they are unable to assist their children. I have always tried to change the title of Head Start to Even Start because people out there get the idea that somehow or other you are trying to give these children something other children are not getting. That is not what we are trying to do at all. We are trying to give them an even start.

Again, I think the only way you can do that is to work with the parents and the children, the preschool children, at the same time.

Now, the contract concept probably could be weaved around another idea in which I am interested. I frankly do not believe, at the present time, we provide the type of incentives necessary for women who head single families, for instance, to seek employment. If the mother is receiving $600 in support without working and finds a job at $800, in all probability she is going to find that she has to reduce the standard of living of her children. No mother is going to want to do that.

So I would hope you would look into a system, possibly, where if the job pays $800 and it costs $300 more to have her take that job, thus reducing her income to $500, then the AFDC support would be the $200—the $500 that she will get as part of her pay after deductible expenses and then the $100 will be our support to make sure that as a matter of fact she does not lose the standard of living that she had for her children.

She would get increases, of course, and the welfare would decrease, and she would become self-sufficient, and eventually she would start getting pay raises where she increases her own standard of living. I think this is something we should look into. I was happy to hear Secretary Brock say this morning they are getting around the JTPA problem, where an AFDC youngster goes into a JTPA program, he or she automatically loses their benefit. Ard that is not much of an incentive to try to train them. He said that because of the cooperation of Secretary Bowen at HHS, Secretary Bowen is going to overlook that, and as a matter of fact, if they go into the training program they will not lose their AFDC benefits. He has not been able to get the same kind of cooperation from the Secretary of Education. I assured him we would handle that in the Education and Labor Committee without the Secretary.

So those are a couple of ideas that I have that might help you as you undertake the very important task, if for no other reason, as I indicated before, these people should have a golden opportunity to have the kind of pride that one can have in being gainfully employed, and pass that on, as a matter of fact, to their children.

[The prepared statement follows:]

Testimony of
THE HONORABLE WILLIAM F. GOODLING

Before the
SUBCOMMITTEE ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION
HOUSE COMMITTEE ON WAYS AND MEANS
February 19, 1987

on
WELFARE REFORM

Mr. Chairman: Thank you for the opportunity to appear before the Subcommittee on Public Assistance and Unemployment Compensation and present my views concerning the reform of our nation's welfare system.

I do not, Mr. Chairman, believe we have a subculture in our country consisting of individuals who like living on welfare. I believe with the proper incentives and with the proper education and training, the majority of individuals on welfare would prefer to become a part of the working public.

I have recently become interested in a project of the National Governors' Association, spearheaded by Governor Bill Clinton, entitled "Making America Work: Productive People, Productivie Policies." I particularly support some of the concepts embodied in a portion of the project entitled, "Bringing Down the Barriers", which was directed towards development of a welfare reform policy.

One of the key components of this welfare reform proposal is the idea of a contract between the recipient of public assistance and the agency administering the program wherein the recipient agrees to participate in a series of activities designed to move that recipient towards self-sufficiency. This idea, to be considered by Governors of all the states at their winter meeting starting this weekend, would mainly consist of participation by a recipient in a training or employment program -- although other activities could be part of the contract if appropriate to the individual client.

An example provided to me by Governor Clinton is a young teenage mother contracting to finish high school and attend parent training classes in exchange for the receipt of public assistance. In addition, the state, in this instance, could agree to provide support services such as child care and health coverage while the recipient completes her education and works towards economic independence.

The Governor's Assocation is also examining such issues as teenage pregnancy, adult illiteracy and school dropouts -- all factors which can lead to welfare dependency -- and all issues important to me in my role as a Member of the House Education and Labor Committee. I am especially concerned, and have introduced legislation, attacking the illiteracy problem in our country. Not only must we concern ourselves with educating today's youth, but we must also insure that their parents are literate and capable of providing assistance to their children when they are doing their homework and other school projects.

It is, in my mind, a problem which must be solved if we are to provide individuals with the ways and means of ending their dependency on public assistance. If parents cannot read and write and are dependent upon the welfare system, they may also be unable to assist their children, who may not, as a result, be able to take full advantage of the education provided to them in our nation's schools. These children may eventually drop out of school and end up on public assistance if they do not have the education and skills necessary to compete in today's highly competitive, technological society.

Although the contract concept embodied in the proposal under consideration by the Governor's Association may solve the problem I am about to discuss, I believe the following idea is also worthy of consideration by your Committee as you endeavor to reform our nation's welfare system. I frankly do not believe we currently provide the type of incentives necessary for women who head single families to seek employment. In many instances, young mothers have a desire to work, but find they would have less available income to provide for their family once they deduct child care and other work-related expenses. No mother wants to reduce her family's standard of living and, therefore, there is a disincentive for women in these instances to seek employment.

The concept I have in mind would insure that a woman's income would not be reduced if she went to work, but, at the same time, would lower welfare payments. For example, let us say that the mother receives $600 a month in welfare payments. She finds a job paying her $800 a month but, after paying child care, transportation, and other work-related expenses, she has only $500 a month left to provide for her family. Under my proposal, she would receive $100 in welfare payments to keep her standard of living from dropping due to employment. Then, each time she received a raise, the welfare payment would be reduced accordingly. After a period of time, she would no longer be receiving welfare payments and each increase in her salary would provide additional income for her family.

The job of reforming our nation's welfare system is not an easy task. I commend you for taking the time to hold this hearing and urge you to consider the ideas I have outlined should you decide to proceed with reforming our nation's welfare system.

Chairman FORD. Thank you very much. I will go over this testimony a little later. I want to raise a question that Mr. Downey has put before two or three of the members today. You served, I think, on the special committee in 1977 and 1978, as representative from the Education and Labor Committee. And we are talking about a jurisdictional question that will be before us with a comprehensive bill. You served on that committee. We never received a bill and never passed a bill in 1977 and 1978. Mr. Downey has put it before other members about whether there should be another committee made up of three or four committees with jurisdiction of a comprehensive bill. Could you sort of elaborate on that for us?

Mr. GOODLING. Well, I would wholeheartedly support that. I get so frustrated with the way we do business here because we have five, six, seven people fighting over jurisdiction, and that does not help the people we are supposed to be trying to help. I have it all the time in child nutrition, where supposedly we have a certain amount of responsibility, the Agriculture Committee has a certain amount of responsibility, somebody else has some responsibility. I don't think you are going to be able to be doing the kind of reform we need unless you bring about that kind of an approach, because you are going to have this fighting over jurisdiction all the time. So, I would wholeheartedly support an effort to have a committee dealing with welfare reform, and I think then you would accomplish something.

Chairman FORD. Well, what were some of the problems that you were faced with in 1978?

Mr. GOODLING. Well, I think it was a problem of what kind of authority you had. I do not know that—as I remember that effort, it was an opportunity to sit down and discuss some ideas, but I do not think we ever broke the whole idea of jurisdiction. I think, first of all, you have got to make sure that the chairmen of those committees that you are trying to bring together very much want to do that kind of thing.

Chairman FORD. Then you say we should establish a similar committee for the new welfare package in this Congress?

Mr. GOODLING. I think you could, but I think, as I said, you have to make sure that the chairmen, where these jurisdictional fights come up, are part of that committee. And you have to get their kind of cooperation or I do not think it is going to happen. But again I think that was more of a tea party kind of thing, and I do not know that anybody was challenged with—given any kind of authority or power to really move ahead. I think we still had a jurisdictional fight even after we came up with ideas and suggestions.

Chairman FORD. Thank you very much. Mr. Downey.

Mr. DOWNEY. Mr. Chairman, I just want to say what a delight Mr. Goodling's testimony is. I found myself in substantial agreement with what you are saying Bill. Basically, this idea of a contract—I feel like I'm a salesman for this Governor's report. It is called a New Social Contract. I do not know if you have had an opportunity to see it. It was sent to my Governor at his behest, and it embodies everything that you have just said: the idea that there are responsibilities that the individuals have to work and to be self-sufficient, and that there are other responsibilities that we have to the recipients, to help them become self-sufficient and work. And also this is the first time in our hearings today that we have addressed—you have correctly, in my view—the idea that the margin—making sure that people have the added incentive to continue to work—we try to do that with the tax bill, but not only do you lose the AFDC benefit, but the working mother would lose the Medicaid card too, and that is simply preposterous. If you have a sick child, what possible incentive would there be if you lost your medical benefits.

Mr. GOODLING. There is none at the present time.

Mr. DOWNEY. Exactly. As I said, I could not agree with you more and I also think the idea of a committee that crosses jurisdictional lines is a possible solution to the problem, but I feel, even more fundamentally, that the only way we are going to do that this year, or do any sort of a bill is if we reach out and do this in a bipartisan way. Otherwise, it will become a political issue and it does not need to be.

Mr. GOODLING. I think you will get a lot of support from a lot of people on my side of the aisle.

Mr. DOWNEY. Well, that is terrific.

Chairman FORD. Mr. Pease.

Mr. PEASE. No questions.

Chairman FORD. Mr. Levin.

Mr. LEVIN. No questions.

Chairman FORD. Thank you very much, Mr. Goodling, for your testimony. At this time the committee will recognize Mr. Hall of Ohio. We welcome you to the committee. We are sorry that you had to wait. We thank you very much for coming before the committee and we look forward to hearing your testimony. The Chair recognizes you at this time.

STATEMENT OF HON. TONY P. HALL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Mr. HALL. Thank you very much. Mr. Chairman, I thank you and the members for holding these very important hearings. Let me start off with my belief that welfare is not a bad word. Some people, as you know, have come to think of welfare as being synonymous with government giveaways, excessive redtape, or cheating. This, of course, is unfortunate.

Perhaps, instead of calling it welfare reform we should call it personal responsibility to our neighbor reform, or domestic human rights reform, or economic and social justice reform.

I do not pretend to be an expert, Mr. Chairman. I do not serve on any committees that have real jurisdiction over this, but I certainly understand the concept of helping each other and one's neighbor. It is rooted in tradition and something that is very central to the values of most people of the world.

The Judeo-Christian tradition is one rich with cases describing responsibility to the less fortunate. If I might quote from the National Conference of Catholic Bishops' 1986 pastoral message entitled "Economic Justice for All," it reads: "Central to the Biblical presentation of justice is that the justice of a community is measured by its treatment of the powerless in society, most often described as the widow, the orphan, the poor, and the stranger in our land."

And I would argue then, that looking at our overall welfare and public assistance picture, we should not lose sight of what we are trying, and have in fact, a moral obligation to do. That is, to help our fellow human beings.

Right now, there are 33 million people in our country that are poor. Poverty rates have gone up from a percentage of around 11 or 12 percent in the 1970's to the 14 to 15 percent that we are currently experiencing; 20 million people periodically go hungry in the United States. In my own district, a couple of years ago, 164,000 recipients asked for food at 66 food banks. In the last quarter of the year, 5,000 people had to be turned away. And that is not necessarily unusual. Dayton, Ohio, is not an unusual district. It is probably the same as most of yours.

In addressing the phenomena of poverty, we find many programs working at odds with one another, and others discouraging basic family unity. Hopefully, we can correct that with the good things that you are doing here.

Mr. Chairman and members, I would like to submit to the subcommittee a report that was put together by the county commissioners in the county I represent—Montgomery County, Ohio. This report is an example of a very exhaustive study of the welfare system in the Dayton and Montgomery County area in Ohio. I think it is an excellent report. It identifies problem areas in the welfare system. It makes concrete recommendations for correcting them and I would hope that you might take a look at this.

Chairman. FORD. We will accept the report, not as a part of the record, but as a part of the subcommittee's background information.

Mr. HALL. Thank you. I would like to highlight one suggestion made by the report, which is to use a contract model in welfare planning. This approach allows clients to enter into contracts with their social workers. The contracts are tailored to individuals and have self-sufficiency goals with time limits. And since each recipient's situation and ability is different, this model allows people to get back on their feet in an agreed upon way. The contract model now is being discussed in Montgomery County. It is a new and interesting concept and I would urge my colleagues to consider it.

I would also call to the attention of my colleagues the creative local initiatives that have been instigated in the Dayton area, and particularly the unique human services levy. This is a levy concept that replaces special purposes levies which exist in most communities. The human services levy allows the local government to examine programs' achievements and better target needed funds to crisis or priority problems. It shows that taxpayers will put up money if localities are given flexibility to use it wisely. And I would hope that you would look at these two recommendations, as well as the other excellent ones.

I really thank you for the chance to be here. The task that you have is certainly a difficult one and a complex one, and I look forward to working with you as a Member of Congress to see welfare reform materialize. I commend you for the courage and the boldness, it takes to put these kinds of hearings together, and the exhaustive numbers of hours it is going to take to come out with a product that can be agreed upon by all sides. Thank you for the chance to be here.

[The prepared statement follows:]

Testimony
REPRESENTATIVE TONY P. HALL
before the
SUBCOMMITTEE ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION
U.S. HOUSE OF REPRESENTATIVES
FEBRUARY 19, 1987

Mr. Chairman, thank you for holding these very pertinent hearings today. Let me start off with my belief that "welfare" is not a bad word. Some people have come to think of "welfare" as being synonymous with government give-aways, excessive red-tape and cheating.

This is unfortunate.

Perhaps, instead of calling it "welfare" reform, we should call it "personal-responsibility-to-our-neighbor" reform. Or "domestic human rights" reform. Or "economic and social justice" reform!

I do not pretend to be an expert on this subject, Mr. Chairman, but I understand the concept of helping out one's neighbor. It is rooted in tradition and central to the values of most peoples of the world.

The Judeo-Christian tradition is one rich with cases describing responsibility to the less fortunate. If I might quote from the National Conference of Catholic Bishops' 1986 Pastoral Message entitled Economic Justice for All, it reads, "Central to the biblical presentation of justice is that the justice of a community is measured by its treatment of the powerless in society, most often described as the widow, the orphan, the poor, and the stranger (non-Israelite) in the land."

The Old Testament is replete with references of caring for the poor. It says, "If there is a poor man with you, one of your brothers, in any of your towns in your land which the Lord your God is giving you, you shall not harden your heart, nor close your hand from your poor brother; but you shall freely open your hand to him and shall generously lend him sufficient for his need in whatever he lacks." (Dt 15:7,8)

Christ's life in the New Testament epitomizes the concept of service to others. In the history of eastern Religions, the Buddhists, Taoists and Confucians adhered to giving alms to the poor and needy and doing acts of public benefit. In its "Duty of Charity" teaching, Hinduism says, "No friend is he who to his friend and comrade, who comes imploring food, will offer nothing."

I would argue, then that looking at our overall welfare and public assistance picture, we should not lose sight of what we are trying, and have in fact, a moral obligation to do-- help out our fellow human beings.

Right now there are 33 million poor people in our country. Poverty rates have gone up from the 11 to 12 percent range evident during the late 1970's to the 14 to 15 percent range we are currently experiencing. Twenty million people periodically go hungry in the United States. Eight billion Americans are looking for work.

In addressing the phenomena of poverty, we find many programs working at odds with one another and others discouraging basic family unity.

This must be corrected.

Mr. Chairman, I would like to submit to the Subcommittee a report entitled "Recommendation on Welfare Reform," which was prepared by the Board of Commissioners of Montgomery County, Ohio. This report is the result of an exhaustive study of the welfare system in the Dayton, Ohio area.

The report is excellent. It identifies problem areas in the welfare system and makes concrete recommendations for correcting them. I urge my colleagues on the Subcommittee to use the Dayton report in helping to shape reform legislation.

I would like to highlight one suggestion made by the report which is to use a "contract model" in welfare planning. This approach allows clients to enter into contracts with their social workers. The contracts are tailored to individuals and have self-sufficiency goals with time limits. Since each recipient's situation and ability is different, this model allows people to get back on their feet in an agreed-upon way.

The Contract Model discussed in the Montgomery County Report is a new and interesting concept and I would urge my colleagues to consider it.

I would also call to the attention of my colleagues the creative local initiatives that have been instigated in the Dayton area. In particular, the unique Human Services Levy.

This is a levy concept that replaces special purpose levies which exist in most communities. The Human Services Levy allows the local government to examine programs' achievements and better target needed funds to crisis or priority problems. It shows that taxpayers will put up money, if localities are given flexibility to use it wisely.

I urge the Subcommittee to take a look at Montgomery County's Human Services Levy and the other recommendations included in the report I am submitting.

Mr. Chairman, the Dayton area people have thought creatively, and acted accordingly, about welfare reform. We should be encouraging communities across the country to do more. We should be setting up more demonstration projects in communities like Dayton that are experimenting with new ways to provide benefits, coupled with dignity and jobs.

We should be looking at how programs work together, for example, hunger, health, jobs, and day-care programs, and not expect our recipients to isolate one from the other. We don't isolate these aspects of our lives. Why should welfare recipients?

Finally, I would like to emphazise that in seeking answers to welfare reform we need to ask questions. Not only of the experts and bureaucrats, but of the people in counties across America. We need to question the recipients, the single parents and the non-working poor. We need to question the individual social workers who deal with people every day, as well as health experts and educators. Montgomery County, Ohio did just that. And it came up with answers.

And we need to question ourselves. Are our programs basically on the right track? Or working against each other? Are recipients receiving individual attention? Are we accountable to our taxpayers?

Mr. Chairman, I know the Public Assistance Subcommittee has already begun the exhaustive process. You know, more than I, the questions that need to be asked. I am confident that the process will be thorough and I commend you for taking on this important task.

I sincerely appreciate the opportunity to come before my colleagues with what I believe is an excellent Report from Montgomery County, Ohio. I sincerely hope you will consider its recommendations in shaping welfare reform legislation.

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Chairman **Ford**. Mr. Hall, let us thank you. It is going to take the input from people like you and other Members throughout this Congress, and others throughout this Nation to assist us, and provide us with the information and ammunition that we will need. And the support from Members like you in the House is also important. We need you to work with us on a welfare reform package, regardless of what the style or name of the bill might be. We appreciate your coming and testifying before the committee. Thank you very much.

Mr. **Hall**. Thank you.

Chairman **Ford**. Mr. Downey.

Mr. **Downey**. Thank you, Mr. Chairman. I agree. I think Tony's testimony was especially helpful. Also, the approach—I would prefer to call it a new social contract or something like that, as opposed to welfare reform, because we are not just dealing with the question of welfare recipients, we are dealing with the question of poor people who work who continue to be poor despite their best efforts to the contrary.

Tony, I would like to ask you one question about the contract idea. I believe you mentioned that it takes place in your county—this idea of a contract that the recipient has with the agency. If you can supply it now, that is fine; if not, I would appreciate—maybe it is in the report—looking at it there. Does it anticipate a greater caseload for individuals in the welfare organization? To me it does not make a great deal of sense to have a contract unless you have somebody to administer the contract at the government end—somebody who is interested and concerned, and not completely overburdened with a caseload of people. If you can describe it, please do so now; if not and you could have it provided for the record, I would really like to see it—how it works in your county, because I think that it is going to work in different places in different ways.

Mr. **Hall**. That is a good question, and it is not covered in this report because the contract model is only a suggestion thus far in Montgomery County. It is the first question I had when I read about it, because with the tremendous number of cases that are going on, how could case workers handle it. But, apparently, through the committee hearings, through talking to welfare recipients and actually the case workers themselves, Montgomery County believes that welfare recipients can be better and more efficiently served using this approach. The answer to your question is not covered in this report, but I will ask for one and see if Montgomery County can be more specific on how the contract model would work.

[The following was subsequently received:]

MONTGOMERY COUNTY DEPARTMENT OF HUMAN SERVICES

To: Stephen A. Rice, Director.
From: Dannetta Graves, Social Services Division Administrator.
Date: March 5, 1987.
Subject: Response to the "Contract Model" question.

Question: Under Welfare Reform, would the use of the "Contract Model" require additional staff or will this mean additional work for the present staff?

Response: The use of the "Contract Model" will require a redefinition of the job and functional duties of the eligibility determiners (caseworkers). The determination of whether there would be a need for additional staff would depend upon: (a) the streamlining of regulations and the elimination of costly administration and case work activities (i.e., food stamps, monthly reporting and retrospective budgeting, medicaid spenddown, etc.). The extent to which this is accomplished would determine the need for additional (if any) staff; (b) the capability of the existing staff must be examined to determine whether re-education and/or re-training is needed for them to execute the "Contract Model".

Mr. **Downey**. The other thing I would like you to think about is the question that the Chairman and I have put to a number of the people who have been before us. And that is, I think that there is a growing consensus that we need to do this. The question is how do we do it. I mean, we are just one committee that deals with albeit an important jurisdictional area. Mr. Goodling deals with the work component in Education and Labor and the educational component, and I can see us all coming up with very different approaches to this and having it take a great deal of time to try and have your committee sort out how and when it gets to the floor. And I would prefer, personally, a much more coordinated approach through one committee that puts all of the component pieces together, and brings it to the floor that way, the way we have done it sometime—Energy is, I guess, the most successful example in the past. And I would appreciate it if you think about that approach and maybe get back to us as to whether or not that is a good idea versus maybe just setting a deadline for the committees to come up with a various piecemeal approach.

Mr. **Hall**. Well, as you know, the Rules Committee, on which I serve on, will not have jurisdiction over the parts of it. It is the substance of the issue that we will have jurisdiction over in the end as far as how a package might be put together. And I can tell you that the members, at least the members that I have talked to which is a majority, do stand behind welfare reform. They want to help, and I think they want to be in a position of trying to help you put this package together and push it through.

This package is going to take tremendous leadership. And you have really taken on a job that is long and difficult. I do not know how you are going to do it, but I stand behind you. And I hope somebody pops up, as it is going to take some real strong leadership. And I do not know who is going to be leading, but obviously we want to stand behind that person that leads in a responsible fashion.

Chairman **Ford**. Mr. Pease.

Mr. **Pease**. Mr. Chairman, I just would like to thank my distinguished colleague from Ohio for his excellent testimony and express the hope that we will get this bill in the Rules Committee and will not run into any jurisdictional problems.

Mr. **Hall**. Thank you Don. You can count on it.

Chairman **Ford**. Mr. Levin.

Mr. **Levin**. I do not have any questions, just a comment. It is interesting that three members of the Rules Committee participated here today, and that has both substantive and procedural significance.

Chairman **Ford**. Mr. Hall, thank you very much for your testimony.

Mr. **Hall**. Thank you.

Chairman **Ford**. The subcommittee will hear from witnesses and members this afternoon starting at 2, but I would also like to announce again that on Wednesday, March 4, the subcommittee will take testimony from the administration, at which time we will learn more about the President's demonstration proposals, as well as his two work proposals for AFDC recipients. Also on March 6, 10, 11, and 13, the subcommittee will hear from public witnesses on welfare reform. And I expect an official press release announcing these session will be available later this afternoon when we meet at 2 o'clock.

I would say that we have concluded the morning session devoted to hearing from the Members of the House. We will reconvene at 2 this afternoon. The subcommittee will stand adjourned.

[Whereupon, at 12:25 p.m., the subcommittee recessed, to reconvene at 2 p.m.]

AFTERNOON SESSION

Chairman **Ford**. The Subcommittee on Public Assistance and Unemployment Compensation will come to order. We will start the second session of the hearing on welfare reform. I said earlier that I wanted to take the opportunity this morning to announce that the subcommittee has scheduled additional days to hear from witnesses.

On Wednesday, March 4, the subcommittee will take testimony again from the administration, at which time we learn more about the President's demonstration proposals as well as his two work proposals for AFDC. On March 6, 10, 11, and 13, again, the subcommittee will hear from public witnesses on welfare reform. I expect that an official press release should be ready in just a matter of minutes.

Welfare reform is now on our agenda. It is one of the top priorities for the full Committee on Ways and Means. We have had talks with the leadership in the House and we believe that our counterparts on the Senate side also want it.

It is our job to turn today's rhetoric into legislation that can make a difference. We know that there is a welfare program in this Nation that is more than 50 years old. We hope that we can make reform measures that will respond to many of the ills of the welfare system and address the problems of those who live below the poverty threshold.

We take an important step in the direction of learning more about welfare reform from our colleagues here in the House, and we certainly will use this information to develop a bill, hopefully in the next 2 or 3 weeks. And, we will also have a markup session starting sometime in the near future. The input and the testimony that we receive today from our colleagues will help us as we forge ahead on a welfare reform package.

I take this opportunity now to call on one of our colleagues who serves on the House Ways and Means Committee, and one who has been very instrumental in working with us on this committee, and who has already introduced a bill before the Congress. I would like to call on our colleague, Mr. Sander Levin.

Mr. **Levin**. Thank you, Mr. Chairman. We were just talking, your staff and myself.

Chairman **Ford**. I know. She whispered in my ear after I had already started the introductory remarks. I see Mr. Coats. I will be happy to, if Mr. Levin is going to yield to you. But after I had introduced the next witness as a member of the Ways and Means Committee——

Mr. **Levin**. You better not add him to the ranks.

Chairman **Ford**. Mr. Coats, at this time, the subcommittee will recognize you for your testimony. We are very delighted to have you before the subcommittee, and we look forward to your testimony on welfare reform.

STATEMENT OF HON. DAN COATS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF INDIANA

Mr. **Coats**. Thank you, Mr. Chairman. I have never been introduced as a member of the Ways and Means Committee before. I hear that it carries with it great privileges.

I am testifying before you today basically as someone attempting to bring some perspective as a member of the Select Committee on Children,Youth and Families.

One of our foremost concerns is the breakup of the family and the impact that this has had on poverty. The tremendous rise in teenagers having babies out of wedlock has explained much of the poverty in children statistics that we have come across. What is not so clear is how to solve what is a very complicated problem.

I would like to suggest to the committee some things that I think we should consider in developing our welfare reform ideas. One is incorporating some flexibility in the process.

Tom Peters, who wrote the book "In Search of Excellence," used an example of a business that had stores all over the country, but one of those stores stood out as a model—something that stood head and shoulders above all the rest. The owner of the business made a rule that his other managers could come in and look, visit, touch and feel, but not copy what was going on in Indianapolis. And I am quoting him here. He says:

> This point is vital because it touches on the single most important reason why most new programs fail. Many of these programs ranging from quality circles to rejuvenated factories do develop in Indianapolis. One shining star that is touted because of some powerful and extraordinary champion. But then there is a horrible tendency to say, boy oh boy, we have got a winner here. Let us take advantage of it now. Let us write down exactly what happened in Indianapolis. Let us write this up as a case study, turn it into a book—a procedures book—and what you end up saying, of course, is let us make everybody else follow this example. By doing so, you kill the fatted calf. Because the magic, it turns out, is not the specific techniques, it is the sense of ownership and commitment so patiently developed, and allowed to develop, within the Indianapolis operation context.

I think that we can learn a lesson from Tom Peter's example. And that is, when looking at the question of welfare reform, we need to control that almost uncontrollable tendency to say: There, that one works in this particular place. Let us apply it as a national standard to everyone. And we have done that in the past, only to find out that a single solution does not always work in every place that we apply it.

That does not mean to say that the Government cannot play a role, and play a role in setting standards. I have supported, for instance, effective programs, such as Head Start, nutrition, JTPA, and others, where I think that the framework needs to, and can be set on a national basis. However, it seems to me that a key question is how to make these programs more effective and flexible, not how we can tighten and nationalize what we have learned from the program. So, what we should be looking toward is setting philosophy. And as representatives of the taxpayers we have some obligations to responsibly allocate their funds. And let me give you a couple of examples.

Most Americans, at least those that I represent, feel that if someone is able to work and receives funds from the Government, they ought to contribute something back for that. And, I think, just from a political standpoint, we are going to have to consider some element of workfare in our welfare reform programs. So, we should consider setting up these guidelines, but leave some flexibility to the States and local areas as to how to most effectively implement them. Different areas, different States, different cities have different requirements. They have different standards of living, different cost-of-living indexes, different things that need to be done, different philosophies on about what work is and what work is not, and what kind of things ought to be contributed to society. And I believe it would be a mistake if we adopted one national standard and said: This is what workfare is.

Second, under AFDC, it was intended that mothers be able to stay home with their small children. And that is a reasonable assumption, and one compassionate Americans would agree with. But, I think we also have to ask the question about whether or not this, as a broad, mandated policy, simply fosters a dependence on welfare, and a use of welfare, as a reason to stay home and perpetuates a cycle of dependency that aggravates the problem rather than alleviates the problem.

Third, I would hope that we can send out, through whatever welfare reform package we come up with, pro-family signals rather than anti-family signals. This could include having AFDC payments for teen mothers work going through their families and extending AFDC eligibility to families when a father is present. We have tilted too far away from the role of the family in trying to deal with a lot of these problems. Yet, I do realize the family is not present in many of these nevertheless, to the extent that our policies foster a further dissolution of the family, I believe we are ignoring some real contributions that the extended family can make. This is not only in terms of financial support, but more importantly perhaps, in terms of emotional support, in terms of the kind of psychological support that is necessary to assist those on welfare in dealing with the multitude of problems that they have to deal with.

Programs such as the Wisconsin child support enforcement program are a good test. And it seems that this program seems to show some promise. And it will be interesting to study its impact. There may be some general principles which will result from this program such as grandparent liability, the principle of percent support payments, and so forth. But, I again caution that setting of a national standard, based on any one particular criteria, may ignore different circumstances that exist in different parts of the country. Wisconsin has different problems from New York City, and has different problems from rural Georgia. And it might be a mistake to take the Wisconsin experiment and apply it all across the board.

It has become increasingly clear to me, and I think to many of the members on our committee, that having children outside of marriage, then dropping out of school, and combining that with drug and alcohol abuse, are causes of many of the problems that we face.

It has also become clear to our committee that the restoration of hope, of responsibility, of two parent families, of quality education, of good health care, of crime reduction and a sense of control over one's own destiny, are just as critical as increasing the size of the welfare check.

It is also clear that the probable solutions to these problems will be different for Hispanics in Texas, Asians in California, rural whites in West Virginia, or blacks in urban areas. As much as possible we need to encourage flexibility so that people like Kimi Gray, who has caused transformations in all areas of her community through tenant management of housing, or Carolyn Wallace of Newark who has done it through a youth organization, that these types of programs can be fostered rather than stifled by application of only a national standard.

A dynamic neighborhood leadership is not always the same in any given place. Yet, it seems that nearly every good local program is as much handicapped by the system, rather than helped by the system. Our rules here in Washington have become so pervasive that they seem to spend as much time fighting over paperwork requirements as helping the poor.

More importantly, and maybe most importantly, I think we need to empower people themselves to act. Tom Peters calls it a sense of ownership and commitment. Ultimately, we cannot make people learn unusable educational and vocational skills. We cannot make them form families. We cannot make them behave in a responsible way. We can punish behavior or we can reward behavior, but ultimately decisions rest upon the people themselves.

Just let me say one other thing before I conclude. It seems to me that we are dealing with, in a further support for the need for flexibility, we are dealing with two types of—and maybe many more—two basic types of welfare problems. One is income related or rather, income driven. It is the group of people that move in and out of welfare. They are on the margin. They are there for a short time. And with the application of sound educational upgrading, sound job training, combinations of workfare training incentive benefits to accomplish certain specific goals, we can move these people out of that welfare category and into a work category where they are upgrading their situation. And I believe in these areas governments do play a fairly significant role.

On the other hand, we have a category of people in welfare that are more behaviorally driven. It is a longer term problem. It is a much more difficult problem to deal with because we are dealing with questions of self esteem and love, and acceptance in the community. We are dealing with cultural behavioral patterns that governments are not really equipped to deal with, particularly on a national basis.

Here it is important that we retain the flexibility and ability to assist, motivate and help agents of change—the families, the churches, the neighborhoods, the schools—those agents that can effect behavior and start to set a standard of behavior that can help us with this longer term problem.

I think that within this context we have to work for programs that foster personal responsibility, family responsibility, grandparent responsibility, child support responsibility, father responsibility. And so, while I am not outlining for you a formula, or how-to, I hope what I have been able to do is leave you some guidelines as to broader areas that we ought to be looking at, leaving with you my plea for retaining flexibility—retaining the ability of many agencies and ideas throughout our society to address this problem, which is greater than any one national government program can solve.

I thank you again for the opportunity, particularly Congressman Levin for letting me go ahead of you. I did have a time crunch and you helped me out. I welcome the opportunity to not only present these views but to work with you as we work through this difficult process.

[The prepared statement follows:]

Congressman Dan Coats (R-IN)
Welfare Reform Statement

I want to thank you, Chairman Ford, and other Members of this sub-committee for giving me the chance to express my views on welfare reform. I do not pretend to be an expert on the details of the welfare system - AFDC, food stamps and other federal programs. My statement is based upon what I have seen and heard about families, especially families in poverty, as the Ranking Republican on the House Select Committee on Children, Youth & Families.

My foremost concern is the breakdown of the family. It is so overwhelmingly clear to all that the tremendous rise in teenagers having babies out-of-wedlock alone explains much of the rise in poverty among children. What is not so clear is how to solve this complicated problem. But I would like to suggest some things we need to consider in developing our welfare reform ideas.

Tom Peters, co-author of In Search of Excellence, in discussing what makes projects work used the example of a model store developed in Indianapolis. The copy made a rule that other stores could come and look, visit, touch, feel, but not copy Indianapolis. He goes on to say:

> "This point is vital because it touches on the single most important reason why most new programs fail. Many - ranging from quality circles to rejuvenated factories - do develop an Indianapolis, one shining star that's touted because of some powerful and extraordinary champion. But then there's a horrible tendency to say, 'Boy, oh boy. We've got a winner. Let's take advantage of it - now! Let's write down exactly what happened at Indianapolis. Let's write it up as a case study. Let's turn it into a book, a procedures book.' What you're saying, of course, is: 'Let's shove it down the throat of each of the leaders of the 599 other stores.' By doing so, you kill the fatted calf because the magic, it turns out, isn't the specific techniques of Indianapolis; it's the sense of ownership and commitment so patiently developed - allowed to develop - within the Indianapolis operation/context."

(Tom Peters; A Passion for Excellence: The Leadership Difference)

When looking at the issue of welfare reform we need to bear this in mind. We have a nearly uncontrollable tendency to look for a single national program that we can ram through in all situations in hopes of solving the problems. And it has almost never worked.

This is not to say that the national government doesn't play a key role. I have supported such effective programs as Head Start, nutrition programs, and JTPA. Congress funds many programs targeted toward assisting the poor, and should continue to do so. But it seems to me that a key question is how to make these programs even more effective and flexible, not how to tighten and nationalize.

We should be looking toward setting philosophy - as representatives of taxpayers we have the obligation to responsibly allocate their funds. Let me give a few examples:

> Most Americans feel that if someone who is able to work receives funds from the government, they should work. So we should consider setting strong workfare guidelines but leave the states with flexibility as to how to most effectively implement it.

> Under AFDC it was intended that mothers be able to stay home with their small children. But when most mothers with children 3 or over are working, is it fair that those on welfare are not? We may need to look at altering the child care credit so that the dollars are really benefiting the poor not upper classes, expanding eligible child care providers to include unlicensed facilities such as family and neighbors, and also giving mothers in working poor families the credit if they choose to provide their own child care.
>
> It is important that we begin to send out pro-family signals rather than anti-family signals. This should include having AFDC payments for teen mothers going through her parents. It may include extending AFDC eligibility to families with a father present.
>
> Programs such as the Wisconsin Child Support Enforcement program show promise and it will be interesting to study its impact. There may be some general principles that could be national - such as grandparent liability, the principal of set percent support payments - but one national standard of exactly 17% for one child, etc is most likely to be very ineffective. Wisconsin has different problems from New York City or rural Georgia.

It has become increasingly clear that having children outside marriage, that dropping out of school, and that drug and alcohol abuse are driving causes of many of the problems. It is also clear that the restoration of hope, of responsibility, of two-parent families, of quality education, of good health care, of crime reduction and a sense of control over one's own destiny are critical [redacted] Just as increasing the size of a welfare check.

It is also clear that the probable solutions to these problems will be different for the Hispanics in Texas, the Asians in California, rural whites in West Virginia, or blacks in urban areas. As much as possible we need to encourage people like Kimi Gray, who has caused transformations in all areas of her community through tenant managment of housing; or Carolyn Wallace in Newark who has done it through a youth organization. Dynamic neighborhood leadership is not always in the same place. Yet it seems that nearly every good local program is as much handicapped by the system rather than helped by it. Our rules here in Washington have become so pervasive that they seem to spend as much time fighting over paperwork requirements as they do helping the poor.

Most importantly, we need to empower people themselves to act. Tom Peters calls it a sense of "ownership" and "commitment." Ultimately we cannot make people learn usable educational and vocational skills, we cannot make them form families, we cannot make them behave in a responsible way. We can punish behavior or we can reward behavior, but ultimately the decisions rest upon people themselves.

In conclusion, I urge you not to ignore the important short-term financial needs of the poor but to look beyond that to the larger questions. How can we tilt government policy toward pro-family and responsible behavior but give people themselves options on how best to accomplish these goals?

Once again, thank you Mr. Chairman for allowing me the time to express these views.

Chairman Ford. Mr. Coats, thank you very much. Your proposal is somewhat similar to others' who have testified before this committee. You talked about work and training. Work, education, and training are three major components of a welfare reform package. Work must be more attractive than welfare. Training and helping people to develop the proper skills can make it possible recipients to work and be productive. In your statement, you referred several times to workfare. There has been a lot of talk about workfare, and I realize that the term "workfare" can mean different things. In certain circles it has meant working the grant off without proper education, or first sending that recipient back to school if they did not complete high school, making sure that the recipient would have the adequate training and the skills that would be needed in order to move into the workforce.

I think it would be the intent of this subcommittee to make it more attractive for a recipient to work than to remain on the welfare rolls. And that is the intent of a welfare reform package. When AFDC was first created, it was never the intent, as you mentioned earlier, for the recipients to work. It was rather, that mothers with children receive a subsistence income. There wasn't great concern, how we make recipients self-sufficient and independent of the system. In the short run, it is going to cost additional dollars to help families become self-sufficient.

Do you think Congress and the Nation are ready to make this investment? Even if we set certain standards from a national level, but give strong State flexibility for a work education, and training program, some of us are convinced that it would cost additional dollars, in the short run, but save many dollars in the long run.

Mr. Coats. Well, my analysis of the constituents in my area, and my analysis of the people of this country is that there is a genuine willingness to assist those in need. But I think to politically sell any new welfare package there has to be some demonstration that in return for that assistance there is some effort being made on the part of the recipients to contribute something back to society. Now, maybe workfare has become such a buzz word, a word that means different things to different people, that we shouldn't continue to use it. Maybe we should talk about some effort to contribute something back to society for the investment society is making. That effort may be one or a combination of a whole bunch of things. It may be some diligent efforts at upgrading education or it might be a combination education work-study type program. It may involve community service. It may involve welfare mothers helping each other out in child care so that they can, through a combination of assistance with each other's children, each move forward to gain those skills that they need to become a productive part of society.

So, my definition of workfare is much broader than what some would say. Some people envision a particular set of work requirements that do nothing to advance someone toward gaining those skills and that ability to become more self-sufficient.

My honest guess is that the American people will be generous with their willingness to assist in working out of this welfare program if they can see some positive feedback and contributions coming back from the recipients. And I think, again, that there is no one particular set formula, maybe no one term that ought to describe what that ought to be.

Chairman FORD. Thank you very much, Mr. Coats, for your testimony. We certainly hope that we can continue to work together as we try to develop a reform package in the coming weeks.

Mr. COATS. Well, thank you. We have a wealth of statistics in the Select Committee on Children, Youth, and Families.

Chairman FORD. Thank you very much, Mr. Coats.

At this time the Chair will call on Mr. Levin. As I said earlier, one of the very able members of the full Committee on Ways and Means, who has already fashioned a welfare reform package in the Congress, and who has been very much in the forefront of welfare reform. It is a real delight for me to call upon my colleague on Ways and Means, Mr. Levin, who has been so gracious and kind to let other Members go before him all day. At this time we recognize you, Mr. Levin.

STATEMENT OF HON. SANDER M. LEVIN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Mr. LEVIN. Thank you very much, Mr. Chairman, and I see that other colleagues of mine are here, including former colleagues on the Banking Committee. So what I will do, not to delay them too much, is two things. First of all, ask that my entire statement be placed in the record.

Chairman FORD. It will be made a part of the record.

Mr. LEVIN. And then, secondly, get right to the point. I think all of us want to ask ourselves, or are asking, why the 100th Congress and welfare reform, when previous Congresses have failed. A part of it, Mr. Chairman, is the sheer passage of time. Time has not cured the problems. I think time has exposed them.

Secondly, and we could see this today in the testimony before this subcommittee, there is a new sense of common ground regarding welfare reform. There is greater understanding of the importance of self-sufficiency that it is both desirable and it is desired by most people. My testimony spells out other aspects of this growing common ground—perhaps not a consensus—but the growing common ground. And so, let me discuss, if I might, the question of how the Congress should proceed on welfare reform.

With this growing support for action, clearly the time to act is now. We could go the comprehensive route and there is much reason to do that. There is much more to welfare reform than the welfare work linkage. There are the issues of adequate income support for AFDC recipients. On the average, what they are receiving is a third less today than it was a decade ago. There are also issues relating to incentives. So there is a strong argument, or a set of strong arguments, for moving ahead on comprehensive reform. But, my judgment is that the likely scenario is that we will and should do it step by step. And in my judgment the first step is to look at the linkage between welfare and work, and to resolve those issues for several reasons.

First of all, that issue has been the deepest wedge in previous efforts. It has divided people—perhaps diverted people from more comprehensive reform. The differences are deep. The images are rather sharp, and I think the misunderstanding is broad. But it has been a source of deep division. If we can resolve the issues relating to the linkage between welfare and work I think it would be easier to go onto other aspects.

Secondly, and just as importantly, it is an area where there has been a lot of experimentation going on in the last 5 years. There has been a lot of change. When this was started, the discussion, a decade and a half, two decades ago, there was a small percentage of women working. My testimony indicates what the percentages are now. They are rather astounding. Two-thirds of all women with children under 18 are working, and 60 percent of women with children under age three are working at least part time.

But also we have, as I have said, the experiences within the States. The National Governors' Association is going to come out with some proposals that reflect those experiences. The President has said, as indicated in my testimony, he said, I think in the State of the Union Message, that we must face up to what we do not know. In my judgment we ought to face up to what we do know. He apparently, or some in the administration are suggesting 5 more years of experimentation. I suggest that while we do not have all the answers, we ought to learn from the past 5 years of experimentation, and our rallying cry should not be "5 more years." Let us get on with it.

I will not go through the portions of my testimony that relate to the studies by the Manpower Demonstration Research Corp., or by the GAO. Both are intensive, extensive studies, and what they conclude is, that under these experiments, that there have been increases in employment. The increases have often been modest, but important, and enough to justify program costs. So, we need to emphasize both the gains under these experiments, but the modesty—there is no simple answer. So, I would suggest, Mr. Chairman, that the best strategy, on balance, is to get at constructive, creative linkages between welfare and work.

Last year Senator Moynihan on the Senate side and a number of us on the House side introduced a bill we called WORC. And what it does is to highlight six features. First of all, and I will review these just very briefly, a national mandate for welfare agencies to provide training and employment assistance. It is an effort to get at the divergence—the split of responsibilities—in various States. And the same has been true on the national level between labor and social service agencies, and it places the responsibility squarely within welfare agencies with a national mandate.

Secondly, the establishment of some performance standards: Not just numbers going through the mill, but some clear cut performance standards to measure program progress and success. Beyond that, it says to the States: You have flexibility; we are going to help you with resources providing certain standards are met. There has to be mandatory registration, and counseling and assessment of non-exempt recipients, and the State has to provide education and training opportunities.

As to the issue of how much work is mandated, that is left up to the States. Within the last several years some States have mandated work. Others have not. Massachusetts has not. There is a requirement that support services be included: child care, transportation. And also a provision for Federal resources: 70-30 on a Federal-State match basis for training and retraining, and 50-50 for childcare

So, this is the proposal. It is undergoing some modification. We are working with people on the minority side. We will probably introduce it in the next week or two with suggestions from a lead sponsor on the Republican side. The hope is that we can in the subcommittee, and then in the full committee, craft a bipartisan approach.

Let me close with just a few comments on this approach. First of all, the urgency. The WIN program expires in June. We need to move on. It has been the source of support for these experimentations.

Secondly, I think the catastrophic health insurance issue is a revealing one. For years there was argument about whether to go step by step or to go with a very comprehensive approach. The latter is often preferable. The question is whether it is feasible. I think this Congress is going to decide, when it comes to comprehensive health care with catastrophic proposals, to take an important step, albeit not the total one.

I sense there is a similar situation with welfare. The WORC bill would cost money. It would, according to CBO, cost about a billion dollars over 5 years. That is for the matching portion on support services and training and retraining. It seemed low to us. We went back to CBO and asked them to recalculate it, and they came back with essentially the same calculations.

And I close by a comment on that cost. It is not revenue neutral, and we have heard a lot about revenue neutrality here, but it is a good investment. We will receive back much of it in dollars saved, and we will receive even more back in lives enabled and, indeed, enriched.

This subcommittee has a wonderful challenge, and it is now a challenge that can reach fruition. I am pleased to be able to testify, to participate to some extent, and we look forward to your leadership to make this happen. Thank you.

[The prepared statement follows:]

TESTIMONY OF

HONORABLE SANDER M. LEVIN

MEMBER OF CONGRESS

Mr. Chairman:

Our nation is in the midst of a re-examination of our welfare system. This is hardly the first such occasion, but it does seem a particularly auspicious one.

Why should the 100th Congress expect success where so many have walked unsuccessfully before?

One reason is the sheer passage of time. It has thrown the current welfare system into sharp relief, exposing the inadequacies, not obscuring or ameliorating them.

A second reason, and maybe the most important, is a new sense of common ground on so much of the welfare debate from both sides of the political aisle. There is a recognition that the most of those on welfare want to get off. There is an understanding that barriers to self-sufficiency must come down so that people can pick themselves up. There is an appreciation that the family unit itself must find a society that builds on its strengths and not magnifies its weaknesses. And there is an acknowledgment that for some the tragedy of poverty has grown into an unhealthy dependency.

This confluence of thinking is perhaps most evident in the the long battle of work and welfare. Terms like workfare and guaranteed minimum income will bring a host of memories to the longtime participants in this debate.

But today there are some new facts on the table that change the entire nature of the debate.

The first is the dramatic growth in the female participation in the workforce and especially the increasing participation of women with children has altered some very fundamental assumptions about the woman's place in society. When 8 out of 10 women were at home with their children, it was only natural that our assistance programs incorporated this assumption. Now, when two thirds of all women with children under 18, and 60% with children under age 3, are working at least part of the year, it only makes sense to redesign our assistance programs to take into account this new reality.

The second change is the success we have seen in connecting people with work.

There is much more to welfare reform than the welfare-work linkage. There is the critical issue of adequate income support. There is the vital challenge of adjusting it so that there is an incentive to work. Such issues must be faced in any comprehensive reform worthy of the name.

There is a strong argument to focus the present debate on such comprehensive reform. But in my judgment, the more likely scenario is that we will do it step by step. The first step should be to move ahead on constructive linkage of welfare with work, for the following reasons --

1. It is the area that has driven the deepest wedge into reform efforts in the past. Until it is resolved, it is likely to deter progress on other issues.
2. It is an area where we have been experimenting and have learned considerably in recent years.

Last year, the highly respected Manpower Demonstration Research Corporation (MDRC) gave us the first results of their detailed in-depth evaluation of work/welfare initiatives in 11 states. While their study is not completed, the findings from the first report were confirmed in a more recent release. Perhaps the most important of the lessons from their study is that "a number of quite different program approaches will lead to increases in employment, but that the gains will be relatively modest. . . Nevertheless, while the impacts may not be striking, they appear large enough to justify the program costs. . ."

At the request of our colleague Representative Ted Weiss, the General Accounting Office (GAO) has just completed its own study of work/welfare programs in 24 states. Their findings are very similar. Despite somewhat bureaucratic management, limited funding and the lack of intensive training and support services, these programs have shown modest but positive effects on the employment earnings of participants. I would like to submit a more detailed summary of GAO's findings for the record.

In its recent study "Up From Dependency" and in draft legislation which I have seen, the Administration would have us and the American people believe that we need another five years of study and local demonstrations before we can make needed changes in federal policy. The President says we must "face up to what we don't know" before we begin the process of reform. I would submit it is time to face up to what we do know. I submit that we've had five years of useful local experimentation and initiative and that now is the time to act. We don't have all the answers but we know a great deal about what it takes to help those on welfare become self-sufficient. Our rallying cry should not be "five more years."

As the MDRC and GAO studies have shown, programs like Massachusetts' E.T., California's GAIN and Michigan's MOST are right now, today, helping people to turn their lives around. It was from discussions with the managers of these and other similar programs that I have become convinced that we are ready to move on at least this part of welfare reform.

As you know, Mr. Chairman, last year I introduced legislation entitled the Work Opportunities and Retraining Compact (WORC) which is drawn from these state experiences. Our bill this year will be similar. I had hoped that the bill would be before you today, but our introduction has been delayed for a few days. We are very hopeful of having support from the other side of the aisle and we are working out a few details with one of our Republican colleagues.

The WORC bill has six key features:

1. A national mandate for state welfare agencies to provide training and employment assistance for welfare recipients

2. Performance standards to measure program success and progress.

3. Mandatory registration, counseling and assessment for non-exempt recipients

4. Education and training must be provided based on the needs of the recipients

5. Child Care and transportation assistance must be provided

6. Adequate resources based on a 70-30 federal-state match

The current redrafting will increase the focus on education, provide assistance to women with younger children, provide transitional support services to help participants find jobs and increase ties to the private sector.

As this Committee considers welfare and work ideas, I would draw your attention to GAO's recommendations for legislative action. The GAO calls on Congress to "develop a coherent, streamlined federal work program policy that would preserve some of the more desirable features of the programs begun in the past 5 years." In particular they call for one program that consolidates administrative responsibility, but gives the states flexibility in providing services, with a stable federal funding source. Services must be provided to those with the most severe barriers to employment and adequate support services must be provided. Participation for women with children under six should be voluntary. More sophisticated measures of performance must be used to gauge program success and reporting and evaluations should be uniform.

I believe these are important principles for us to follow as we draft, and mark-up legislation and in my opinion the WORC bill meets this test.

I would hope we could move ahead in this vital aspect of welfare reform. As you know, funding for the WIN program, which has been the catalyst for the useful state experiments, expires in June. I am very concerned that unless we move quickly on a work/welfare proposal that provides continued federal support, states will shut down their fledgling but effective work/welfare programs. This would be a tragedy. Not only will the doors of opportunity close for those on welfare, the government will also lose the benefit of savings in welfare costs and additional tax receipts.

Mr. Chairman, I urge that we consider the direction that health care policy is taking and the history of previous attempts at welfare reform. A few years ago, catastrophic health care was rejected by many as not going far enough toward national health coverage. Today, catastrophic proposals are seen as an important step on the road to a comprehensive health care system.

Mr. Chairman I had the opportunity to come before you last year to testify about linkages between work and welfare. I am pleased to note that there appears to be even more common ground than there was the last time I sat at this table.

Chairman Ford. Thank you very much, Mr. Levin.

Mr. Levin, let me ask about the work component of your bill. It would include work and training, is that correct?

Mr. Levin. Yes. Training, retraining, and education opportunities—those are mandatory to be provided by the States.

Chairman Ford. Right. Now the work and training components, are you using CBO figures on that $1 billion? Is that over a 5-year period, or $1 billion per year?

Mr. Levin. Yes, that is $1 billion over 5 years.

Chairman Ford. Right. Now help me, because you know Dr. Miller testified before the full committee last week or the week before, and talked about welfare reform.

He talked about dismantling the Summer Youth Program, and I believe we currently spend about $750 million on that program, and adding another $50 million for the training component for children in AFDC families. Nevertheless, we are talking about a billion dollars over a 5-year period with your work and training components. Does that include the children of AFDC under your bill? or does your bill include only the adult care component?

Mr. Levin. Yes. I paused because I wanted to say a word. It is not exactly relevant, but it should be clear. When the administration says they are proposing a billion, it is really $950 million or $980 million plus $800 million for AFDC youth. That $800 million is $750 million, as you said, of present money. They are just moving from the Summer Youth Program to AFDC.

Chairman Ford. I understand that. I was only looking at the dollar amounts.

Mr. Levin. The answer is this billion is for adults.

Chairman Ford. Right.

Mr. Levin. For the adult members of the family receiving AFDC.

Chairman Ford. Well, in your bill, is there a component that would address the nonadult recipients of AFDC?

Mr. Levin. No. And the reason is this: I think we need a major training-retraining program in this country beyond JTPA. I don't think the way to do it is to distinguish between those children receiving AFDC and those not, or between dislocated workers and nondislocated workers. We need a comprehensive attack on this problem.

The WORC bill is aimed at providing meaningful training-retraining opportunities for adults within the AFDC program.

Chairman Ford. I am not sure that JTPA can reach the welfare population, particularly the nonadults. Someone has indicated this morning that Secretary Brock and Secretary Bowen have agreed now to disregard or not take into consideration participants in the JTPA program.

My concern, Mr. Levin, with your bill, is how do we address the training needs of the children of the welfare population? We are talking about 12 million children who live below the poverty threshold, and about 7 million of those 12 million are on AFDC.

We have not looked at costs because we are trying to define what needs to be done before we consider the cost. Does your bill and other bills that have been introduced in the Congress address the needs of the children? Would this add to the cost?

Mr. LEVIN. The billion doesn't include it, and I think the decision that the subcommittee and the full committee and the leadership have to make fairly soon, I would think, is what should be the gist of a welfare reform bill. And I have stated what I think on balance makes sense. There is an argument to go more comprehensively, but I think in terms of training and retraining that it makes sense to learn from the experience of States like Massachusetts, Michigan, California, Wisconsin, innumerable States, who have tried to marshall resources to focus on this issue in a creative, not a punitive, way.

And there has been some success, and I think we ought to build on that success, and build it into a national mandate combining opportunity with obligation.

Chairman FORD. Mr. Levin, thank you very much. As I said earlier, you have been a full participant with us on this subcommittee, and certainly a very strong voice in the Congress and the full committee. Again, thank you for your testimony, and I will be working closely with you.

Mr. LEVIN. Thank you. We have been. I look forward to it fully.

Chairman FORD. The Chair will call as the next witness, according to the list here, Mr. Henry Waxman, chairman of the Subcommittee on Health and the Environment of the Committee on Energy and Commerce.

Mr. Waxman, let me welcome you once again before the Subcommittee on Public Assistance. It has been a real pleasure to work with you in the past, and I certainly hope that we will continue to work together, and especially during these days of welfare reform and knowing that, if there is a comprehensive bill, there will either be some joint referrals or at least one committee with certain jurisdictions that we will be able to work closely together to move a bill that will probably address many of the ills, not only in the welfare population, but, hopefully, even beyond the welfare population, for those who live below the poverty thresholds and those who do not have adequate health care and adequate health coverage in this country.

So again, we welcome you before the committee, Mr. Waxman.

Mr. WAXMAN. Thank you very much.

Chairman FORD. Let me also say on behalf of one of my colleagues, Mr. Matsui, from your State, he called and asked his staff to remind me that he apologizes to you and other members of the California delegation. He was scheduled to be in his district and he could not be here today.

So we recognize you at this time, Mr. Waxman.

STATEMENT OF HON. HENRY A. WAXMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA, AND CHAIRMAN, SUBCOMMITTEE ON HEALTH AND THE ENVIRONMENT, COMMITTEE ON ENERGY AND COMMERCE

Mr. WAXMAN. Thank you for your kind words. I am delighted to be with you and to share some thoughts on welfare reform, and certainly I would look forward to working with you and members of your committee on any legislation that would be worth our trying to pass. No one has worked harder for welfare reform than you have, Mr. Chairman.

I want to focus my comments on the role of Medicaid in welfare reform. Medicaid is far and away our largest means-tested entitlement program, with $30 billion in Federal outlays and 22 million beneficiaries projected for fiscal year 1988. The program pays for basic health services, including physician, hospital and nursing home care on behalf of eligible families, and elderly and disabled people.

In the case of families, eligibility for Medicaid is tied directly to the receipt of cash assistance under the AFDC program. If a family receives AFDC cash assistance, it is automatically eligible for Medicaid coverage. Thus, to the extent that welfare reform alters eligibility for AFDC cash assistance, it will also have a direct impact on eligibility for Medicaid. The clearest illustration of this is your proposal, Mr. Chairman, to mandate coverage to poor two-parent unemployed families, or the AFDC-UP families. Extension of cash assistance to these families would bring with it Medicaid coverage as well.

Medicaid has significant work incentive implications. Mothers receiving AFDC and Medicaid benefits may be less inclined to return to work knowing that if they do so they will lose Medicaid coverage for themselves and their children and will not be able to replace this coverage because the prospective employer does not offer any health insurance benefits.

I am not arguing that the availability of health care coverage is the only factor affecting a person's decision to work. Obviously, it is not. However, I do believe that we will not be able to reduce welfare dependency without giving recipients some confidence that going to work will not mean immediate loss of their health care coverage.

The President in his State of the Union Message told us that he would propose to allow States to establish a series of demonstrations in welfare policy. Well, I believe there is much we can learn from carefully planned, well run demonstrations. But I would oppose any demonstration that would in any way reduce current Medicaid benefits or eligibility or that would weaken the due process safeguards currently available to program beneficiaries.

I have no specific blueprint for welfare reform. In the short run, I would certainly support your proposals to mandate coverage of families with unemployed parents and to raise minimum AFDC benefit levels to some civilized percentage of the Federal poverty level. In the long run, we need to decouple medical assistance from cash assistance so that the availability of Medicaid coverage depends on a person's income and resources, not whether he or she is working or whether he or she is receiving cash assistance.

As you know, in the last three budget reconciliation bills, we started down this road with respect to pregnant women and young children, as well as the elderly and disabled. With respect to each of these groups, States can now extend Medicaid coverage to those with incomes below 100 percent of the Federal poverty level regardless of family composition or receipt of cash assistance.

That concludes my remarks. I look forward to working with you to coordinate cash and medical assistance reform efforts, and I would be happy to answer any questions.

Chairman FORD. Again, thank you very much, Mr. Waxman.

There is one comment I would like to make on your testimony with respect to the decoupling of medical assistance from AFDC. One of the concerns that we would have from this subcommittee is giving the States the flexibility to provide the medical coverage and not the cash assistance. I am from a Southern State, and we have very low grant payments to AFDC recipients under the current statute. States like New York and others might fare very well if AFDC and Medicaid were decoupled. But I worry about this unless we also had some Federal or national standards for benefit levels. All of this may not be possible in welfare reform, but I wanted to share my concerns with decoupling the health care.

Mr. WAXMAN. I wouldn't decouple it as a State option. I would decouple it based on Federal standards that would say that people will have health care coverage if they are below the poverty line. I would divorce coverage from whether the poor are receiving the cash assistance or whatever level that cash assistance might be or whether they are employed or unemployed.

Because, after all, if you take people off of welfare and expect them to get a job, and they don't have health care coverage, which most low-paying jobs will not provide, and there is someone who is ill in the family, they are not going to go to work. And, of course, there is a tremendous vulnerability that they leave themselves open to if they go without that health care benefit.

Chairman FORD. Mr. Waxman, what do you see as a timeframe with this subcommittee, your subcommittee, and other committees in the Congress considering a comprehensive welfare reform package? What kind of timeframe do you believe is realistic trying to pull a bill together?

Mr. WAXMAN. I suppose we are deferring to your leadership on that. I would like to see what the components of that package would be.

I must just express to you some apprehension about accomplishing welfare reform legislation with this administration in power at this time. I am not sure what welfare reform means, except to them I know it means knocking people off any kind of benefits, and that shouldn't be our objective. Our objective should be to free people from welfare dependency. Not to cut them off, but to free them so that they are working and have coverage for themselves and their children for their health needs.

Chairman FORD. The Carter administration had a comprehensive plan, which affected five or six committee jurisdictions. In that case, a special committee was established to work on welfare reform. I would think that any comprehensive plan today would have joint referrals to other committees.

Are there problems with four or five committees working to report legislation back, within the next 4 or 5 months, to the Congress?

Mr. WAXMAN. I think if we have a clear idea of what we are trying to accomplish and we have mutual objectives, which I fully would expect to be the case knowing that if you are behind some proposal I would most likely be behind it as well, I don't think the jurisdictional problems are serious. I think it is just a question of going through, making sure that each committee that has a different perspective on the question can deal with it.

But I don't see a problem in trying to move in a coordinated way.

Chairman FORD. It is the intent of this subcommittee to move a partisan welfare reform package. We certainly hope that it will be a comprehensive package. I would like to move swiftly on that legislation.

Mr. WAXMAN. Well, it is my intent to cooperate with you fully.

Chairman FORD. Thank you.

Mr. Downey.

Mr. DOWNEY. Thank you, Mr. Chairman.

I think Mr. Waxman has made his position clear, which I welcome. We had a meeting with the Speaker today on moving this legislation, and I think the news was very good. He wants a bill by May and intends to put the various committee chairmen and subcommittee chairmen on that path.

Mr. WAXMAN. A good bill by May is one that is long overdue. A bad bill by May is premature.

Mr. DOWNEY. Yes. Well, I will write that down. [Laughter.]

Mr. WAXMAN. Be sure to give me credit.

Mr. DOWNEY. Yes, I will, Henry.

You have no problem if we can figure out a way to finance Medicaid with greater Federal dollars, do you? That the 50-50 current match which some of our States have to pay to make this more of a Federal program would not be something you would oppose?

Mr. WAXMAN. I think one of the injustices we have in our society is that someone's life and health in one part of the country is held to be more valuable than that of someone from another part of the country. So I think we need uniform minimum Federal standards, and we can't leave it up to the States because the States, as we have seen over and over again, will choose the less-expensive option even though it means people go without the needed benefits.

Mr. DOWNEY. Well, I couldn't agree with that more.

Mr. WAXMAN. You can write that one down, too.

Mr. DOWNEY. Yes, I have also gotten that one down.

Mr. WAXMAN. On the other hand, we do have a reporter.

Mr. DOWNEY. Yes. Oh, we have a reporter. Thank you. I will certainly refer back in the record to these wholesome homilies. [Laughter.]

The other thing I found, in our meeting with the Speaker, instructive is his desire that revenue neutrality not be one of our guiding principles. So where I was concerned about how one could pay for this, I have now less concern.

Mr. WAXMAN. You are?

Mr. DOWNEY. I am not less concerned. I am sure the members of the Budget Committee might be more concerned. We will find a way to pay for it.

But, no, it appears as though we are moving in the direction that will satisfy us all.

Mr. WAXMAN. Very pleased to hear it, and look forward to working with you.

Chairman FORD. Mr. Levin.

Mr. LEVIN. Thank you.

As we have read the results of programs, not only experiments, but real programs in some of the States, one of the more difficult issues has been the impact on health coverage. The effective programs that have been able to train and retrain people. There has always been that sword off of AFDC, off of Medicaid.

So as we talk about trying to take the lessons of these last several years, what we have learned from the States, and put together a creative jobs-welfare linkage, it is critical to look at that AFDC-Medicaid connection.

So, Mr. Chairman, I really think, forgetting for a moment about jurisdiction, but just thinking about substance, it is critical that we work on this issue together. It is not clear to us how the States have been able to handle it. In some cases, people have been trained to go into jobs where there is health coverage. I think that is the Massachusetts experience. I am not quite sure how it has been handled in Michigan.

Mr. WAXMAN. Well, in 1981, we were encouraged to give States more flexibility under the Medicaid program so they could be more creative, etc.

Mr. LEVIN. Right.

Mr. WAXMAN. What they invariably did was to figure out ways to squeeze people out of coverage or to reduce the amount of benefits that people would receive. And if you are interested in demonstration projects, the last one I recall in California dealing with Medicaid under then Governor Reagan was to capitate all the Medicaid patients by pushing them into prepaid health plans that for all practical purposes didn't exist to give services, but only existed to have a ceiling on the amount of money that would be spent at the State level.

So I am, in other words, very, very skeptical and wary of the idea of creative State options on Medicaid, where the whole thrust of where they will be going will be to spend less money by removing people from the program or reducing the level of services they will receive.

Mr. LEVIN. I wasn't referring to that kind of creativity.

Mr. WAXMAN. But if there is creativity in terms of helping people find jobs and getting off the welfare cash assistance roles, I think that would be a worthwhile objective. And one of the self-defeating parts of that could be denying them Medicaid coverage. You may want to consider keeping them with Medicaid coverage as long as their income is below the——

Mr. LEVIN. That is what we need to look at.

Mr. WAXMAN. Yes.

Mr. LEVIN. With your help. Thank you.

Mr. WAXMAN. Good. Thank you.

Chairman FORD. Again, thank you very much, Mr. Chairman. We will be talking with you in the next 10 to 15 days, to examine the jurisdictional question and see how we can work together on that. I hope the leadership, and the Parliamentarian will place some time restraints on all of the other committees to report back.

Thank you.

Next, Mr. Martinez, of California, the chairman of the Subcommittee on Employment Opportunities of the Committee on Education and Labor.

I will also apologize for one of your colleagues from your delegation, Mr. Matsui, who was scheduled to be back in California today. He wanted to be here. He asked me to pass that on for him.

I am delighted to have you before the subcommittee and look forward to your testimony.

STATEMENT OF HON. MATTHEW G. MARTINEZ, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA, AND CHAIRMAN, SUBCOMMITTEE ON EMPLOYMENT OPPORTUNITIES, COMMITTEE ON EDUCATION AND LABOR

Mr. **Martinez**. Thank you very much, Mr. Chairman.

Let me start by thanking you for inviting me to testify here today. I would also refer to a discussion you had with Mr. Levin on the JTPA program and the administration's proposal.

Chairman **Ford**. I might not have quoted him right earlier. I undestand that Mr. Brock made the statement this morning, and I think Dr. Bowen has indicated that the JTPA program would be disregarded as it relates to the cash assistance component of the AFDC program.

Mr. **Martinez**. Yes. What I am referring to is that dislocated workers can quickly become welfare recipients, especially those who are laid off at 55 years of age or older. It is difficult for them to be hired, and it is difficult for them to accept the training or reeducation they need to go on to another job. If you have been doing a job in a basic industry, such as a foundry or something similar, it is hard to even be willing to try to do something else. They can become welfare recipients.

Mr. Brock's suggestion that they change the title III and the Summer Youth Program to include AFDC recipients is a laudable one. But, the way they attempt to do it is not as laudable. One of the things we recognize is that in 1985, for fiscal year 1986, they made an effort to—well, they did—reduce the dislocated worker title III program, by over 50 percent, from $222 to $100 million. In 1986, for fiscal year 1987, the Congress restored much of that cut.

So now they are coming back, wanting to add additional moneys, claiming that the additional moneys will help defer people away from welfare by making sure that dislocated workers, AFDC recipients, and youth AFDC recipients get the training and education they so desperately need. They say they would serve twice as many people as they are serving now, but they are not recognizing the fact that what they are doing is adding more than two times as much money. The equivalent amount of money, put into the program as it exists, now, would do exactly the same job they want to do by eliminating the program.

But that is another situation. My point is, basically, what I will present in my testimony: the most important thing to a welfare recipient is the dignity of not being a welfare recipient, of having a job and providing for him or herself. Having grown up during the depression, I can tell you from firsthand experience that there is no dignity or pride in being a welfare recipient or taking any kind of a handout from anyone, including the Government. The way people get off welfare is by becoming educated and trained, by being able to provide for themselves.

As chairman of the Employment Opportunities Subcommittee, I see welfare reform as really being a part of a larger effort to get this country back into a world economic competitive position and back towards full employment. The state of our economy is measured by the health of our overall workforce, and those who are unemployed or underutilized serve as a major drag on our national productivity.

I must caution this subcommittee that, while it is popular right now to jump on the bandwagon of welfare reform, we, as responsible lawmakers, must be clear about what we are trying to achieve through these reform efforts. Is it the purpose of this legislation to rapidly reduce our welfare roles, or is it to provide serious job training in order to permanently—permanently—remove workers from welfare dependency? This is a crucial point that requires careful consideration. If we are concerned about long-term results, then merely pushing welfare individuals off the roles only to have them return within a short span of time would be a waste of our time and money. However, if we want to make employment of welfare dependents more permanent, then we must realize that a fuller commitment of time, effort and money will be required to bring about long-lasting returns on our investments.

While there are many quick-fix solutions being offered now that would immediately remove recipients from welfare rolls, and some of these are in California, such superficial solutions do not yield the long-term results of stable, long-term jobs. We must not react reflexively to the political whims, but instead, work toward sound, permanent solutions.

What are the foundations for such solutions? Well, I am currently developing legislation of my own to address these concerns, and would welcome your assistance. The following is a quick list of points, probably similar to your our own thoughts on this matter, which I feel must be part of any legislative solution to our welfare dependency.

First, we must really concern ourselves with the Federal will and leadership in implementing welfare programs. We need a strong commitment and strong dedication to seeing that the program works.

We can all agree that those who are able to work should work. We should make every effort to ensure they do so. We should realize that those that aren't able to work need special assistance. Policymakers must be realistic about the very special problems presented by chronically dependent welfare recipients.

In my district, I know of several generations that have been welfare recipients simply because they are accustomed to that way of life, and have become used to it over a period of years. But by and large, that is a very small percentage. The big percentage are people who are there because, through no fault of their own, the circumstances they are in create situations that make them welfare dependents.

Lack of education and training is one of those problems, and I think we need to provide as many training and education programs as possible, especially in the early grades, for these kids. A lot of the people that end up on the welfare rolls are those that fall behind in school, don't get a proper education, and can't even get a proper job.

Mr. Waxman referred to welfare recipients being put to work at low income jobs and losing a lot of the benefits of being a welfare recipient. Well, many long-term welfare recipients are fully aware of that and are not about to accept any training or education which would take them off the welfare rolls. And they are not willing to take any kind of a job to get them off of it because they would have to give up too much.

But the second point that I would like to make concerns State efforts. Those efforts must be coordinated in a manner to avoid duplication while doing something that is very important—linking economic policies and welfare policies.

While waste and overlap of program efforts and lack of coordination in centralized administration has caused a loss of funding efficiency, little has been done in the States to link economic development, revenue generation, and employment security—employment security especially—with the welfare needs of the State programs. While some States have made great strides, most States have not given that key linkage the priority that needs to be applied to enhance budget survival.

The third point is that the Federal and State Governments must create a greater incentive for these people to enter the job market rather than to remain on the welfare rolls. All studies have shown that successful welfare transition programs include the wage amount of the job that they take; the need for child care in single-parent homes; and the need to provide adequate health benefits, which Mr. Waxman has referred to. After these welfare recipients have begun new jobs, there is a transition period. If they have proper training and education, they are going to have upward mobility, and their salaries are going to increase to the point where they no longer need to be dependent on the part of the welfare program that provides health benefits, and would go off. But I think there has to be some consideration there.

The second-to-last point I would like to make is that private industry must really play a major role in assisting training and remedial actions. In some areas they are beginning to realize this. While private industries really in themselves do not distinguish between a welfare recipient and an unskilled worker, their involvement in the job training portion of a transition program is absolutely crucial.

Not only does government lack the full resources to provide these skills and support, but government lacks the knowledge of the labor needs of private industry. A partnership begun in the Job Training Partnership Act, involving State, private, and education sectors, should be extended to the welfare program area to enhance that transition into permanent employment.

The fifth and last point that I would like to make is that work components in welfare programs must serve a meaningful purpose and be linked to long-term job-related skills.

A great deal of argument has occurred over whether AFDC job-training components should involve voluntary or mandatory work requirements as a pre-condition of receiving benefits. Some important ground rules must be applied in work-related policies: Job-related experience must be accompanied by long-term job-skill training and necessary remedial education, and job-enhancement assistance.

As a corollary to this work-related activity, it makes sense that those who are job-ready, such as some dislocated workers, should not be put into work fare. It's true that State and local governments are short of financial resources to maintain their infrastructures—therefore those of us that believe in the workfare programs should realize the Federal Government must take some role in this.

These programs should be really directed toward maintaining vital infrastructures as an accompaniment to supplemental, long-term skills training and enhancement programs.

I would like to thank you for the opportunity to testify here today, and suggest that, as we proceed with the welfare reform package, we take into consideration those things that are necessary to give people real pride and real integrity and provide them with the ability to work for themselves—as the Bible said, if you give a man a loaf of bread today, you feed him today; but if you teach him to bake bread or fish for himself, he'll feed himself the rest of his life. Thank you.

[The prepared statement follows:]

STATEMENT OF CONGRESSMAN MATTHEW G. MARTINEZ

Thank you for inviting me to testify today on the important topic of welfare reform, which is now the focus of national debate.

As the Chairman of the Subcommittee on Employment Opportunities I see welfare reform as being part of a larger, comprehensive effort to get this country back into a more competitve position in the world economy, and back toward full employment. The state of our economy is measured by the health of our overall workforce and those who are unemployed or underutilized serve as a major drag on national productivity.

I must caution the subcommittee that although it is popular to jump on the bandwagon of welfare reform, we, as responsible lawmakers, must be clear about what we are trying to achieve through our efforts. Should we focus on short-term remedies which would rapidly reduce the welfare rolls, or should we provide serious job training in order to remove workers from long-term welfare dependency? These are crucial points that require careful consideration. If we merely push recipients off the rolls only to have them return again within a short span of time, we will be wasting both time and money. However, if we want to develop permanent employment among those receiving welfare, we must make the fuller commitment of time, effort, and money which will be needed to turn welfare payments into human capital investments. While there are many quick-fix solutions which would immediately shrink the welfare rolls, these superficial approaches will not yield the long-term results of stable employment.

We must not react reflexively to political winds, but instead work toward sound, courageous, and permanent solutions. I'm currently developing legislation of my own to address these concerns and would welcome your assistance. What should form the foundations of sound solutions? The following is a quick list of points which I feel must be a part of any legislative solution to the problem of welfare dependency. These may be very similar to your own thoughts on the matter:

1) There must be strong federal leadership in the implementation of any welfare reform program. The welfare recipient needs a basic framework of professional attitudes and skills, as well as support mechanisms. If applied uniformly throughout the system, these factors will greatly enhance the job marketability of underpriveleged workers. The federal sector must provide technical assistance and make a realistic commitment of resources for this to succeed. Otherwise, the costs to society will continue to overshadow the cost of correcting current programs. We all agree that able-bodied recipients should work, and those who can't should receive special assistance. Policy makers must also be realistic about the special problems that chronically-dependent welfare recipients face -- simply applying cost-benefit analyses and regular business policies in these cases may not necessarily result in long-term employment.

2) State programs must link economic development with welfare policies, and be coordinated in a manner that will avoid duplication of efforts. More needs to be done among the states to link economic development, revenue generation, and employment security to the desired outcomes of state welfare programs. Some states have made great strides in this regard, but most have not given this key linkage top priority. Also, overlapping program efforts and lack of administrative coordination wastes precious resources.

3) The federal and state governments must create greater incentives for the welfare recipient to enter the job market. Studies have shown that a successful welfare-to-work transition depends on these key ingredients: an appropriate wage rate in jobs available to welfare clients; child care and adequate health benefits for welfare families after the parent(s) begin employment; and support stipends during transition training periods.

4) Private industry must play a major role in assisting training and remedial education efforts. Even though private industry does not distinguish between a welfare recipient and an unskilled worker, their involvement in the job training portion of transition programs is absolutely crucial. The government lacks adequate resources to provide comprehensive skills training, and also lacks specific knowledge of private industry's labor needs. In the Job Training Partnership Act a system of cooperation between state and federal governments, the private sector, and the education community was developed. This cooperative model should be extended into the welfare program area in order to help the welfare recipient make a successful transition into permanent employment.

5) Work components in welfare programs must serve a meaningful purpose and be linked to long-term job-related skills. A great deal of argument has occurred over whether AFDC job training components should involve mandatory work requirements as a precondition to receiving benefits. Some important ground rules must be applied in work-related policies: job related experience must include the job skills training, remedial education, and job enhancement assistance which is needed to develop long-term employability. It also makes sense that those who are the most job-ready should not be put into mandatory work activities. It is true that state and local governments are short of the financial resources they need to repair and maintain their infrastructures. Therefore, where "workfare" programs are required, they should be directed toward these maintanence activities, and be accompanied by supplemental long-term training and skill enhancement programs.

I thank the subommittee for the opportunitiy to present these summarized views of what are, in my opinion, the necessary components of welfare reform.

Chairman FORD. Mr. Martinez, thank you very much.

Let me make one comment, and ask you to respond now or later to the subcommittee. There has been a lot of talk that a majority of the welfare recipients do not want to work, or that the welfare system itself might be to blame for many of the problems. Some refer to it as being a dead-end.

About two-thirds of the recipients are children. There is a core group of recipients who are the ones that will be very difficult to place into the work force. You make mention of long-term dependency from one generation to another.

How do we address that core group? You suggest we make work more attractive than welfare.

We know education and training are major components, but how do we break that cycle for those who are trapped? All of the trends and all of the information that we have received in the past 18 months would lead us to believe that the hard-core group certainly would like to come off the welfare rolls.

But it's difficult for a mother of three, who might have dropped out of high school at the 9th or 10th grade who, could very well have had multiple pregnancies before the age of 20, and now is trapped into that cycle with no meaningful skills, to move into the work force. It would be very difficult to accept a minimum wage job at McDonald's with no health care benefits. It's very difficult to break that cycle.

You have talked about this in your testimony today. But I think we have to give special attention to make sure that we do not breed one generation to another who are dependent on welfare. Work, education, and training opportunities are key elements that we feel we will have to be part of a welfare reform package.

Those are the areas in which I see this committee and other committees really needing input from our colleagues and others throughout this Nation. How can we best design a program that will address these issues for the core group? Oftentimes we find that the core group would like for that cycle to be broken.

Over half of the welfare recipients leave the program in the first 2 years, and half of those recipients leave within the first year.

So we would certainly like to explore this with you and other members of this House.

Mr. MARTINEZ. I think that the key word is incentive. People get trapped in, and then we tell them, well, you can go to work for the recreation department cleaning up the parks and the playgrounds at minimum wage; and lose your health benefits.

In the case of a single mother who has two or three children and is not offered any child care, or child care has to come out of what she earns through minimum wage, there is no incentive for her to leave the rolls, none at all.

The other thing has to do with individual pride. People feel they are being abused by the system. We tell them, "You are not going to get any welfare if you do not go to work, even though you may be unable to." We do not tell them we are going to supply a chance to get educated or trained in a skilled job, so you can have pride in that job and go home and brag to your friends and family. The kind of job you do, and what is involved in that job, makes you feel like you have a proper place in society. Without that, they are going to get back into that shell, and just get by the best they can with what they've got.

A lot of them, when they are approached about this, will act with a certain bravado that's really created because they do not want to be treated badly, and they do not want people to feel that they are just doormats, or that we shouldn't have any consideration for them.

So it goes back to a basic thing with almost any human being. You show a person they can accomplish something, you show a person they can achieve, you show them how, and you lead them by the hand, if necessary, to begin with. It's like you do with little children when you teach them to walk and talk and all the other things. You do a lot of leading, a lot of encouraging, and a lot of prompting. You try to mold that child.

A lot of these people are not children, but they are in the same state of mind one is in when everybody looks down on them. Everybody calls them leeches on society, the dregs of society.

When they try to find living accommodations, a home, a place to live, that landlord can't find out they are welfare recipients—they have to sneak in, you know. They cannot just walk up and say, "I'm a welfare recipient and I want to rent this home." They've got to sneak in, and once the landlord finds out, they work like heck to get rid of them.

So there's a certain amount of—even in their minds—shame connected with it, but they have no alternative. What's the alternative? They do not have any skills, and they do not have much education in many cases.

There may be rare situations where someone with a lot of education and a lot of ability is on welfare, simply because he wants to be there. We have to develop a way to do something about them, to force them off the welfare rolls, force them off. But that's not the general rule.

The general rule is that most people on welfare do not want to be there, but they do not know how to get off, and they need help to get off. And when you're trying to get them off, you cannot say, look, we'll give you a minimum wage job and expect you to handle all of this responsibility, and leave nothing for you to live any kind of a life with. You could live a better life if you were still receiving that welfare. And you can receive the benefits of health care and all the other things. Why would you give it up? Why would you go off?

Chairman **Ford**. Thank you very much.

Mr. **Martinez**. Thank you.

Chairman **Ford**. Mr. Bates, of California. We are appreciative that you are here with us. I'm sorry that your colleague on this committee, Mr. Matsui, is not here. He wanted to be here. But we are delighted to have you before the committee.

STATEMENT OF HON. JIM BATES, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. **Bates**. Congressman Matsui has visited San Diego and our workfare program that I authored there in San Diego. As the author of that program, I'm particularly pleased to have an opportunity to share some views with the subcommittee, and I commend you for holding these hearings.

I think it's important that we lay the groundwork before any legislation on comprehensive reform of our Nation's welfare system.

In your hearings I'm sure you've heard many views and many values in terms of what welfare reform is or means to them, but I think we can simplify the debate really, on welfare reform, to two categories: those who can work but lack skills, or cannot find work; and those who cannot work because of age or disability or other reasons. At this time I'd like to focus on welfare reform for the first group, those who can work.

Based on the success of the San Diego program, I believe that workfare for those who can work is the direction we should take. It meets the requirements of genuine reform, which is cost savings as well as breaking the cycle of welfare dependency. The San Diego workfare program became a model for the State's widely publicized program, Greater Avenues for Independence in the State of California. That, I think, can be a model for the Nation, and why I think its applicability is so appropriate is that San Diego was the first urban county that engaged in a successful workfare program.

In San Diego the emphasis is on getting people into the workforce quickly and permanently, not creating meaningless makework projects. It provides an entrance into the labor market, reinforces the work ethic, and deters welfare fraud and abuse. I can testify first-hand that this program is a solution to the welfare problems in our country.

San Diego applied the workfare concept to three welfare programs: the general relief program funded by the county; food stamps and aid to families with dependent children, and workfare for general relief, which has been in effect since 1977. The other two were federally funded and approved demonstration projects.

Let me just briefly describe the workfare program in San Diego.

The first step is a one-day job placement, in which applicants are interviewed and referred to jobs before aid is even granted. Five percent find jobs this way and avoid even going on welfare initially.

Those who do not find a job on the first day participate in a 3-week job search assistance workshop. Here they learn the practice of job-search techniques such as how to conduct themselves in an interview, how to write resume, how to use the ads or job-referral programs, et cetera. Forty percent of all participants become employed at this phase, the second phase.

The next stage for those who are not yet employed is a work-for-benefits assignment to a public or private nonprofit work site, for up to 3 months of work experience. Roughly 60 percent find jobs at this stage, and those who do not, are referred to training programs to learn marketable job skills.

Workfare works in San Diego because it helps to find jobs quickly and gives work experience and training to the others. A study by Manpower Demonstration Research Corp. on the San Diego AFDC work fare demonstration project showed that 9 months after applying for welfare, all but 9 percent of the employable recipients of AFDC had left welfare, become employed, met the program's requirements or were deregistered from the program.

Substantial increases in employment and earnings were sustained over a period of time. The benefits to the taxpayer were $2.47 for every dollar spent on the program.

I intend to introduce similar legislation which will incorporate San Diego's brand of work fare into the two federal welfare programs—food stamps and AFDC. While this is not the time to go into that, I would like to emphasize that because the savings in federal programs will go to the Federal Government, State and local governments should be reimbursed for their administrative costs.

Mr. Chairman, I believe that there are those who are able-bodied, who should work in return for their benefits and workfare should emphasize getting people into the permanent work force and off the welfare rolls.

I might add I did not believe that in a competitive free enterprise society that the private sector can expand enough or would employ, really, the hard-core unemployable. I think it is imperative the government be the employer of last resort. I think this lays the foundation for that type of program.

Workfare is an added attraction acting as a deterrent for some welfare abuse. I do not think that is the thrust of the program.

Workfare in San Diego has allowed us to concentrate those resources, then, that we have on the truly needy. I think we can apply this nationwide.

Thank you.

[The prepared statement follows:]

WORKFARE: A SOLUTION TO WELFARE

STATEMENT OF
CONGRESSMAN JIM BATES

BEFORE THE
SUBCOMMITTEE ON PUBLIC ASSISTANCE
AND UNEMPLOYMENT COMPENSATION

February 19, 1987

Mr. Chairman, I am Congressman Jim Bates, and I represent the 44th District in San Diego. As the author of San Diego's successful workfare program, I am pleased to appear before the Subcommittee on Public Assistance and Unemployment Compensation to share my ideas on welfare reform. I commend you for holding this series of hearings. It is important that we lay the groundwork with a full discussion of this issue before we begin comprehensive reform of our nation's welfare system.

As you have noted before, Mr. Chairman, welfare reform means many things to many people. I believe we can simplify the debate somewhat if we divide welfare recipients into two catagories: those who can work but lack skills or cannot find a job; and those who cannot work because of age, disability or some other reason. At this time I would like to focus on welfare reform for the first group: those who can work.

Based on the success of the San Diego program, I believe that workfare for those who can work is the direction we should take. It meets the two requirements for genuine welfare reform -- reducing the cost of welfare and breaking the cycle of welfare dependency. The San Diego workfare program became the model for the widely publicized GAIN, or Greater Avenues for Independence, in the state of California. I belive that San Diego's brand of workfare can be adapted for the nation as a whole.

Workfare in San Diego places an emphasis on getting people into the work force permanently, not creating meaningless make-work jobs. It provides an entrance to the labor market, reinforces the work ethic and deters welfare fraud and abuse. As the author of this program, I can testify firsthand to the success of workfare as a solution to our welfare problems.

San Diego has applied the workfare concept to three welfare programs: the General Relief Program funded by the county, Food Stamps, and Aid to Families with Dependent Children (AFDC). Workfare for General Relief has been in effect since 1977; the other two were federally-approved demonstration projects.

Let me take a few moments to describe workfare in San Diego. The first step is a one-day Job Placement, in which applicants are inteviewed and referred to jobs before aid is even granted. Five percent find jobs in this way and avoid the need to go on welfare at all.

Those who do not find a job on the first day must participate in a three-week Job Search Assistance Workshop. Here they learn and practice job search techniques such as how to conduct themselves in an interview. Forty percent of the participants become employed at this phase.

The next stage for those who are not yet employed is Work For Benefits -- assignement to a public or private non-profit worksite for up to three months of work experience. Roughly 60% find jobs at this phase. Those who don't are referred to training programs to learn marketable job skills.

Workfare works in San Diego because it helps the employable find jobs quickly and gives valuable work experience and training to the rest. A study by Manpower Demonstration Research Corporation on the San Diego AFDC workfare demonstration project showed that nine months after applying for welfare, all but 9% of the employable recipients of AFDC had left welfare, become employed, met the program's requirements or were deregistered from the program. Substantial increases in employment and earnings were sustained over time. The benefits to the taxpayers were $2.47 for every $1.00 spent on the program.

I will introduce legislation which will incorporate San Diego's brand of workfare into two federal welfare programs: Food Stamps and AFDC. While this is not the time to go into details, I would like to emphasize that because the savings in federal programs will go to the federal government, state and local governments should be reimbursed for administrative costs.

Mr. Chairman, I believe that those who are able-bodied should work in reutrn for their benefits. Workfare should emphasize getting people into the permanent work force and off the welfare rolls. And workfare has the added attraction of acting as a strong deterrent to welfare abuse. Workfare in San Diego has allowed us to concentrate our resources on the truly needy. It will do the same nationwide.

This is my vision of welfare reform, and I appreciate the opportunity to outline it for you.

Mr. **Andrews** [presiding]. Jim, I want to thank you for your testimony. Certainly, the program in San Diego has been a model that many cities have tried to copy. My city, Houston, in particular, with some successes but with also many failures, has tried to do similar programs. It has not come close to the successes that San Diego has had.

Let me ask you just to comment, in general, on the kind of job bank that is necessary from the private sector to be made available to the government placement services. The first day seems like a pretty critical day in your program because it sort of sets the tone for each individual as to what they are going to be doing the next 3 weeks if they do not go to work.

Give me your thoughts about cost, about private sector involvement and cooperation, what kind of feedback did you get from the private sector community?

Mr. **Bates**. My own personal experience was that we started with food stamps, which is the worst place to start because the grant is so small that the administrative costs really—you have a hard time offsetting the amount of work and the administrative costs. It is about a wash, but it is very difficult.

I think as you pull these programs together and then tie in your job referral and your state employment referral programs and all that, it begins to make more sense, in terms of your direct overhead costs and the benefits from whatever work that may be achieved in the program.

I would say essentially it is a lot of resistance in the system to workfare people who are trained in social——

Mr. **Andrews**. Resistance from whom?

Mr. **Bates**. By those who implement the program. I think anytime you are trying to do something and the people who are running the program do not believe in it, there is a failure—and I do not know what your problems were in Houston, but I know in San Diego after three attempts to get the Republicans on the board of supervisors to join me and they finally did after the public, so strong in their support, that they finally decided to give it a try—the director of the department came to me and said, "Well, you have got a news story out of it. Let's drop it now. We really do not want to do this."

There was not a real commitment to get into it. Then people working on the program who said, "This is demeaning," or "Why should we make them work?" There is a lot of resistance by those who would operate the program.

So I think you would encounter the same in any welfare reform program at the Federal level because ultimately it is administered at the local level through the State.

Mr. **Andrews**. What about costs?

Mr. **Bates**. Well, the biggest cost is in identifying the worker with the job that is comparable to their job skills. I might add that the people that I encountered in the program—many were highly skilled.

It is not a question of having a large pool of unskilled, hard-core unemployed, though that is a large part of the program. But there are many people who, for various reasons at that time in their life, were having a hard time.

Mr. **Andrews**. What percentage, would you say of the applicants, had some skills?

Mr. **Bates**. I would say 10, 20 percent were highly skilled—had master's degrees; we had a lawyer that worked in my office; journalists; scientists. I would say twenty percent are significantly——

Mr. **Andrews**. And some parts of the country where there really has been an economic depression rapidly like the Farm Belt, some of the energy-producing States, that would surely be the case. The applicants would be highly skilled people.

Mr. **Bates**. I think it is even higher in San Diego because I think if your area is in an economic recession or some down side of the economy, if you are looking for work and you are in the position to move, you would just as soon be unemployed in the sun than in the snow. So I think San Diego draws a lot of people, perhaps, that maybe other areas would not—the whole Sun Belt.

But the costs are the key to the program, and I think when we first started with food stamps alone before we got the program big enough, the cost-benefit ratio was just not there. It was costing more administratively to locate the job and maintain the followup and try and match the skills than the benefits of the program.

But as it grows and as you pull together the State and local programs and get larger pools and more sophistication, and it begins to come together.

The jobs in the private sector are virtually untapped, I think. Most of the jobsites for the San Diego model were in government with, say, human social service delivery systems of, say, clinics or counseling programs or things of that nature, having to do with government-funded social services.

Mr. **Andrews**. We had a meeting over the noon hour with the Speaker about the whole idea of welfare reform. I guess the question that all of us sort of discussed was: Can you do something significant in this Congress that is revenue-neutral? Is it advisable to even try to have a revenue-neutral bill? And if you have done that and it is revenue-neutral, what do you have? Are we going to get in a position where we are literally just moving money around, taking it from a program that may or may not be beneficial and not ending up with real reform?

What would be your thoughts about it?

Mr. **Bates**. Well, the biggest disappointment—and I can remember in my freshman year in Congress was when we had the 1981 recession as a result of Reaganomics and we took $10 billion and we put $4.5 billion into public employment and sort of quick-fix public works projects that were on the shelf, which later the GAO said it did not really work.

Then we took $5.5 billion and added it to unemployment insurance for auto workers that would never go back to those jobs that had been unemployed for 3 years.

So I think if you are going to get into welfare reform, that there is a link with unemployment compensation. The individual training accounts that, I think, Congressman Durbin and former Senator Gary Hart were pushing, that really deals with the job transition and job training, and your unemployment, and try to pull those together because we are putting a lot of money in a number of areas that do not have the stigma of, quote, welfare, but are costing us money and are nonproductive.

I think if you tie those together, you can reform the model, so to speak, without adding a lot of dollars. I think in the end we have to deal with the hard-core unemployed, that I think our falling through the cracks even of our welfare system, because while a lot of people think there is a lot of abuse in the system, part of the homeless—part can be attributed to the fact that the social service delivery system needs to be reformed, that the dual diagnosis or the multiple problem is not being dealt with in all these special categories of programs that want to show that they cured or handled the problem. That is sort of a single diagnosis.

But where you have, say, general relief—and California is pretty tough on general relief; and in San Diego, I think, it was raised from $120 a month to $135 a month—but, say, you have a young single adult who cannot find work who is on general relief. That only lasts so long and then they are off.

When they go off general relief, cannot find a job, cannot qualify for AFDC or something like that, then they are back on the streets, they are hard-core unemployed, they are on the streets—they, I think, add to the homeless population.

Those are the kinds of people that I think government should guarantee a job or find a job.

Mr. **Andrews**. That is part of the issue, isn't it? If we do not spend enough to ensure that that person were to get some meaningful work, we have really misspent the dollars that we did put into the program.

Mr. **Bates**. Right. That is why if you couple it with work fare with the assistance but perhaps deal with broadening the requirements or qualifications and not having such a short term—but, see, general relief is county funded. And the counties tend to be a little stricter with the funds and the requirements than the federal program.

But I think you need to tie those together because I do think that general relief at the county level is the bigger problem. And if we are going to be funding it with homeless funds and unemployment insurance in other ways, if we can pull this together, I think we would have a better program. But with the work ethic and the work fare concept, as sort of the anchor.

Mr. **Andrews**. Thank you very much for your testimony.

Chairman **Ford**. Thank you very much, Mr. Bates.

The Chair would like to call Mr. Lehman of California. We are delighted to have you before the committee. I look forward to your testimony.

STATEMENT OF HON. MAJOR R. OWENS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. **Owens**. Mr. Chairman, before he speaks, could I ask for unanimous consent to just submit my written statement?

Chairman **Ford**. I am sorry we could not accommodate you on time, Mr. Owens. Without objection, it will be made a part of the record.

Mr. **Owens**. Thank you very much.

[The statement of Mr. Owens follows:]

Statement of Hon. Major R. Owens, a Representative in Congress From the State of New York, and Chairman, Select Subcommittee on Education, Committee on Education and Labor

Thank you, Chairman Ford and the members of the Subcommittee, for the opportunity to testify here today on welfare reform.

Welfare and welfare reform are complex public policy issues, but the 100th Congress of the United States must remember that the major goal of our efforts is to solve the underlying problems of poverty, hunger, malnutrition, inadequate health care, and chronic unemployment—not just to rationalize and streamline our system of service delivery. We must approach these problems innovatively and devise more effective programs to solve them. Hunger and poverty are growing all over the United States, and our welfare programs have not grown and changed to meet the new challenges.

The number of people in poverty has increased. Nearly thirty-four million Americans live in poverty today—one out of every seven Americans live in poverty. There are 3.8 million more people living in poverty in this country than there were six years ago. Most affected are the children. One out of five American children live in poverty. More than two-thirds of welfare recipients and half of food stamp recipients are children.

The delivery of services to poor people has not kept pace. The number of poor Americans increased 21 percent from 1980 to 1985, but the definition of "truly needy" has been so manipulated, the Food Stamp program has been so limited, that the number of Food Stamp recipients has increased by only one percent. And twenty-five million fewer children receive subsidized school lunches today than in 1980.

It seems as though the safety net is becoming more holes than net. In 38 states and the District of Columbia, the combined value of welfare and food stamp benefits does not enable a recipient to live at even 75 percent of the poverty line. The number of employed Americans of prime working age (22 to 64) whose job income does not even enable them to live above the poverty line has increased by 60 percent since 1978.

And inequalities in the political and economic system make the percentage of blacks and other minorities in poverty much higher than the percentage of other Americans. The poverty rate of blacks is 33.8 percent, about three times that of whites. Half of all black American children under the age of six, and two out of five Hispanic children, live in poverty. We know that the great majority of poor people are white—in 1984, 23 million of the 34 million people in poverty were white. And the number of whites falling into poverty is actually growing faster than the number of blacks.

But blacks make up over half of the long-term poor, of those who are poor for several years in a row. And the unempolyment rate among blacks remains much higher than that of whites. In 1985, the unemployment rate of black adults was more than two and a half times higher than that of white adults, 14.9 percent as compared with 5.6 percent. In 1984, nearly half of the black men aged 16 to 24 had no work experience at all.

There is one bright spot in this generally bleak picture. That is that this is a remarkably auspicious time for reforming and improving our federal welfare system. People representing a broad spectrum of political opinion can agree on several ideas for reform. Chairman Ford ably stated several of these ideas in his testimony before the Senate Committee on Finance on January 23rd of this year.

There is no need to repeat these ideas here, but I do want to stress the last of his nine points: "We can't expect to eliminate welfare dependency overnight." Welfare reform is not a magic wand; waving these reforms in front of poverty will not make it disappear. Many new ideas, many reforms, can each bring marginal improvement to the plight of the poor in America. But these reforms do not promise a dramatic short-term change, and we cannot allow their success to be measured by expectations that are too great. No local or federal administration that is unsympathetic to welfare and to its recipients should be allowed to claim that welfare programs are failures because they fail to meet unrealistic goals.

Before we reform our welfare system, we must dispel several false impressions about those on welfare that are so widespread not only among the public, but also among elected officials and those who administer welfare programs. I commend to the members of this committee the informative article "The Eight Myths of Poverty," published in the May 1986 issue of American Demographics, by William O'Hare of the Joint Center for Political Studies. O'Hare briefly gives the factual evidence to contradict seven of these myths, and I shall summarize his points here:

(1) People are not poor because they refuse to work. "Most of the able-bodied poor of working age were working or looking for work in 1984."

(2) Poor people do not just live on government welfare. "Only about one third of poor families received public assistance payments in 1984, and about 40 percent of poor households did not receive any major means-tested noncash benefits such as food stamps, free or reduced-price school lunches, public housing, or Medicaid."

(3) Most poor people do not live in female-headed households. "In 1984, 11.8 million poor families lived in female-headed families, but 14.6 million lived in married-couple or male-headed Families."

(4) Most poor people are not black and most black people are not poor. "Most poor Americans are white, not black. . . . About one third of all blacks are poor, but two thirds are not."

(5) Most people in poverty do not live in inner-city ghettos. "The 1 million poor people living in what the Census Bureau calls 'poverty areas' of central cities constitute only 14 percent of the poor."

(6) Welfare payments are not a major factor in our growing national budget deficit. "The chief government cash assistance program for the poor is AFDC, which cost only about $8 billion in fiscal year 1984. This amounted to 7 percent of the amount the U.S. government spends on interest for the national debt ($111 billion), only 5 percent of the amount spent on Social Security, and less than 4 percent of the amount spent on defense ($227 billion). Most of the government outlays for social programs go to the elderly and middle class."

(7) The poor need not always be with us. "Evidence shows that we actually can reduce poverty in America. The poverty rate dropped from an estimated 30 percent in 1950 to about 11 percent in 1973. . . . Nor is poverty necessarily a permanent condition. Recent evidence suggests that most poor people are temporarily poor rather than permanently poor."

But O'Hare substantiates one widespred belief about poverty, one which he shows is not a myth:

(8) The rich get richer and the poor get poorer. "As the number of people in poverty grew from 25 million in 1978 to 34 million in 1984, the share of families with incomes of $35,000 or more (in constant 1984 dollars) grew from 29 percent to 34 percent of all families."

We are now engaged in rethinking and redirecting our federal welfare programs. As we do so, I want to suggest five principles which are important to me:

First, welfare should not be punitive. People are not bad, irresponsible, or lazy because they are poor or out of work. Welfare should not be system in which people are blamed for their poverty. Welfare should not be a method by which people are disciplined or forced to work. "Workfare" can be a useful approach to welfare, but not if it is based on the assumption that the reason people are poor is that they don't want to work.

Second, the cornerstone of our welfare reform effort should be job opportunities, job counseling, job training, job education, job placement, and supportive services for people entering the work force. As we move toward a welfare system that is based upon the value of work, we must ensure that the work provided by that system is meaningful work. Workfare must not be make-work. Neither can we allow it to degenerate into a method by which governments replace their unionized, well-paid workers with minimum-wage workfare recipients.

Third, we should devise programs which promote the unity of families rather than their breakup and division. Children and mothers should not be threatened with the loss of welfare benefits if they live with the father of the family. Welfare assistance should assist in, not hinder, building stable, intact families.

Fourth, we should seek to provide welfare with dignity to those in need. Just as the work in workfare should be meaningful, just as job training should be aimed toward real job opportunities, just as welfare assistance should be family assistance, receiving welfare should be a dignified experience in which the dignity of the recipient is respected. We must demonstrate by the design and rules and administration of our welfare programs that we respect our fellow Americans even if they are poor, unemployed, or unfortunate.

Fifth, the eventual goal of our welfare system should be to ensure that everyone in the United States, working or non-working poor, will be raised above the level of poverty. Welfare should be aimed at eliminating poverty, not the poor.

In light of these principles, I propose that one major step we could take in reforming our welfare system would be to set up a series of one hundred demonstration projects around the nation, in cities, towns, suburbs, and rural areas. These demonstration projects would be job and family centered. They would include serious attempts to train, counsel, and place the employable poor in meaningful jobs, and they would at the same time involve every family member in supportive services designed to make that employment desirable for the family. Within these demonstration projects, health services, housing, and child care would not be denied as soon as the working welfare recipient achieved the lower rung on the job ladder. Success would be encouraged, not bought at a price dear to family stability and security.

This is not a new idea. Several state and local governments are already running projects which might fit these guidelines. We can and should give these projects recognition, reward them with our support, and build upon them.

I commend this Subcommittee for its important work; I look forward to the results of your deliberations; and I would be happy to discuss this subject further with you now or at any future time.

STATEMENT OF HON. RICHARD H. LEHMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. Lehman. Thank you, Mr. Chairman and members of the subcommittee.

I want to, first, applaud the subcommittee, under your leadership, for actively pursuing comprehensive and meaningful welfare reform.

My purpose in testifying today is first, to inform the Subcommittee of what I view as a serious flaw in our aid to families with dependent children unemployed parent program. And second, to summarize legislation which I have introduced which addresses this weak link—legislation which I hope you will include in your product.

The AFDC-U program currently operates in 23 States, the District of Columbia, and Guam. As you well know, it is very possible that this program will be mandated in all States. I commend your efforts, Mr. Chairman, in this regard and hope that we are successful in enacting this initiative into law.

Under the AFDC unemployed parent program, unemployment is defined as "not working, or working less than 100 hours per month." This 100-hour rule is, in my view, the weak link in the unemployed parent program.

To illustrate this serious flaw in the program, I will briefly provide the subcommittee with an example. As of September 1984, the average AFDC-UP payment per family was $479 per month. Simple math tells us that the primary wage earner would have to work 140 hours at the current national minimum wage in order to match this average grant payment. The Federal Government, however, takes away all benefits as soon as he works just 100 hours. It is my view that this 100-hour work rule results in a clear disincentive to find employment. At worst, it discourages the wage earner from accepting any job offers. At best, it results in the wage earner limiting his or her work to less than 100 hours in order to protect vital benefits.

In my State of California, the maximum AFDC grant that a two-parent household with three children may receive is $753 per month. If the primary wage earner goes to work earning $3.35 per hour and works full time, 40 hours a week, his gross earnings will be $580 per month. This is $173 less than his AFDC grant. In effect, if the father takes a minimum-wage, full-time job, he takes $173 away from his wife and children.

The work disincentive caused by the implementation of the 100-hour rule has resulted in an AFDC-UP program filled with potential workers who have been put in the unforgivable position of having to refuse work in order to meet the financial needs of the family.

Implementation of the "Greater Avenues for Independence" welfare reform program by the State of California has served to highlight the inequities of this rule. Fresno County, which I represent, was the first county in California to implement this innovative program. GAIN, as it is known, is aimed at providing education and job training as well as placement services to welfare recipients. It will ultimately be implemented on a statewide basis. While Fresno County is pleased with the success of the GAIN program to date, their optimism is tempered by the existence of the 100-hour rule. The GAIN program has carefully implemented many education and job training programs in order to adequately equip the AFDC recipients with the skills for long-term employment and eventual self-sufficiency. At the conclusion of these training and education programs, however, the recipient is still allowed to turn down employment if the job offered will provide less income than is currently provided by the AFDC-U grant. For many AFDC recipients, this job rejection is the only prudent financial option they have.

With the employment needs of welfare recipients finally being recognized by the GAIN program and others like it, it is essential that we complete the process by enabling the unemployed to accept the jobs for which they are being prepared without this dead-end option.

Meaningful education and training programs aimed at placing current welfare recipients in the job market will cost money. When substantial resources are invested, States and localities have to be given the tools and flexibility needed to finish the job. Current Federal regulations hamstring these efforts.

It is now time, Mr. Chairman, to eliminate this flaw in the AFDC program. The legislation I have pending before your subcommittee is a simple proposal that will do just that. The objectives of H.R. 795 are threefold:

No. 1, an increase in the number of program recipients who will be linked to the job market.

Second, a reduction in the total amount of Federal, State, and county tax dollars spent on the AFDC-UP program by moving beneficiaries into the workforce.

Third and most important, I believe, a chance to break the cycle of welfare dependency passed on from generation to generation.

This bill would allow demonstration projects to be set up wherein this 100-hour rule would be waived for a 3-year period. Under the demonstration program, the AFDC-UP family would remain eligible for AFDC benefits, even if the wage earner worked over 100 hours per month.

The AFDC grant amount, however, would be reduced by the net amount of such earnings. The aid would continue until these earnings met the state standards of need or equaled the amount of their AFDC grant.

I believe the time has come to test the waters on new approaches to reducing welfare dependency. This proposal does not propose any broad, sweeping changes, but rather a chance to test on a very small scale a well thought-out proposal, a proposal that should allow recipients to do simply what they wish to do, which is work.

Mr. Chairman, I believe this idea deserves a chance and I hope that you and your colleagues on the subcommittee will incorporate H.R. 795 as part of your legislative initiative on welfare reform.

I would interject here one other thing, Mr. Chairman, and that is that this problem is most severe in areas that have a huge influx of refugees. My district—and I will give the numbers in two counties: In San Joaquin County I have 25,000 recently arrived Southeast Asian refugees; in Fresno County I have 32,000. Eighty-five percent of those are receiving aid under the AFDC program.

These are people who come here with a strong work ethic but now are forced into that program and cannot go out and get jobs because they would be cheating their families if they did. I think this is a tragedy, and we are going to end up with second and third generation welfare recipients among these people unless we do something to break that.

I think allowing them to work more than 100 hours and not lose all of their benefits would be just the thing that would allow them to do what they wanted to do in the first place, which is go to work.

I thank you for the opportunity to bring this to your attention.

Chairman **Ford**. Thank you very much, Mr. Lehman. I must add that I expect that the changes in the law that you have proposed will be a part of the bill. It is already a part of the bill that we are drafting on the welfare reform.

The unemployed parent piece that we have been concerned about would, in addition mandate AFDC-UP for those States that have not opted into the program. But the language in your bill has already been included in the bill that I will introduce in the next couple of weeks in the House.

Mr. **Lehman**. I really appreciate that, Mr. Chairman, and I think you are on the right track. I think if we can get these demonstration projects going and if they work out, which I believe they will this could be an important step to getting people off this dependency.

Chairman **Ford**. Feel free to communicate with us on this subcommittee in the coming weeks. We know that we are going to have to call upon our colleagues in the House to help us. It is not going to be an easy task to draft a bill, mark it up, report it out of the full committee and bring it to the House floor.

Hopefully, we can come up with one that will address many of the ills of the welfare system and those who live below the poverty thresholds.

Mr. **Lehman**. Well, I will do all I can. Your leadership is most appreciated.

Chairman **Ford**. Thank you very much, Mr. Lehman.

Mr. Morrison, the Chair will call on you. We want to thank you for being so patient. Sorry that we have delayed you. I know that much time has passed and we have been long-winded on this subcommittee, but we want to thank you very much for your time and for appearing before the subcommittee. We look forward to your testimony.

STATEMENT OF HON. BRUCE A. MORRISON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CONNECTICUT

Mr. **Morrison**. It is a pleasure to be here. I have certainly learned a great deal from the testimony of my colleagues. It certainly was well worth my effort to be here.

First let me say, Mr. Chairman, that I read with interest your statement of January 23 and want to commend you for it I think it is a realistic statement of the problems that we face and some of the priorities that have to be reflected in any welfare reform program. I hope that you will be able to achieve many of the objectives that you set forth there.

Let me just say, also, as an introductory matter, that before being elected to Congress, I spent 10 years as a legal services lawyer. Much of that time, in various ways, I represented recipients of welfare programs particularly of AFDC, but also of the full range of welfare programs that exist on the Federal and State level.

With that background and that experience, I hope I have something to contribute to the process. But I also confront the process with some fears about how this is all going to play out and where we are going to actually end up.

The process of reforming the welfare system in any comprehensive way, it seems to me, is very difficult one. It is an especially difficult one in the age of Ronald Reagan, and in the age of $200 billion budget deficits. Because I doubt that we can really do the kind of comprehensive job that ought to be done and that we might be able to agree on as the ideal, given the constraints that we face this year, both economic and political.

I would hope that however we approach this issue, we take account of those realities and do not use up all of the energy that has been generated for welfare reform in this effort unless we are so lucky as to have the opportunity to do something really comprehensive.

I would expect we are going to have somewhat limited goals. In limiting those goals, we ought to be very upfront about the fact that we are doing so and not allow what we do to be all that will be done in the area of welfare reform for 5 years or 10 years. It would be very unfortunate if that were the end result of this process.

I think we also need to be careful not to feed the myths about welfare in the way that we go about this—and there are an awful lot of myths about welfare. I think one of the greatest myths is that people on welfare want to be there. The consequence of that myth is that somehow we hold the welfare recipients responsible for the welfare system.

I do not know who exactly to hold responsible for the system we have got, but I know for sure who we should not hold responsible: the people on welfare, they are not the most politically powerful people in the country. They are among the least powerful. The system that we have constructed is one that was imposed upon them, and I think it is important not to blame them. Yet although they are victims of the system, they do get blamed in this debate quite frequently.

The other myths relate to the discussion about the so-called hard core of welfare recipients, the people who are on the program for a long time, who are consumers of a lot of the dollars spent on the welfare system.

In number terms, most of the people on welfare are not life-time welfare recipients or long-term welfare recipients. They come on to the program and they go off. In large measure, there is probably very little we can do to change that by welfare reform. These situations are caused by macroeconomic problems as much as anything else, unemployment rates and what jobs are available out there and trade and all the other economic dislocations that we have.

We should recognize that most of the people on welfare are not the long-term dependent generation on generation. We should not focus our efforts on welfare recipients across-the-board; rather we ought to pick our targets to work on the things that are really the most troubling.

Finally, on the issue of myths and attitudes, we should do our very best to try to shift the welfare program out of its punitive cast. And that applies both to work fare parts of it and generally, to the system as a whole.

It has always struck me that when you go to apply for welfare, you fill out all kinds of forms that you swear to. You also are required to prove in each and every fact that you claim about your income, about your property, and then you are asked to recertify that. We are down to monthly recertification on many of these programs.

At the same time, people who file their tax return just sign it and send it in. Somehow the suggestion is that the people who are on welfare are more likely to cheat us than the citizens who file their tax returns—that is just one example among many of how the welfare system stigmatizes recipients.

If we could turn the welfare program around in one way that I think would make the most difference, it would be to treat people who are on welfare as though they are people like us, who have the same kinds of goals and aspirations as we do, not as though they are people who have to be dealt with in a punitive way because they are not really like us, and do not have the goals for their families and their children that we have for our own.

I think that is a hard thing to get at, but I think we should strive to do that in any way that we can and any work program that we have.

We have succeeded in accomplishing it with Social Security, which is a program that is generally accepted and that everybody sees as an entitlement of being a citizen here. We have been able to keep the money in that program and that it is widely accepted.

AFDC, on the other hand, has lost a third of the real value of the benefits over the last 15 years. It is stigmatized and it is punitive, and I think that there is a connection between these facts. Our goal should be to change the attitudes about AFDC that are implicit in the way the program is run.

Let me, then, try to be a little bit specific about some things that I hope we would concentrate on as we deal with welfare reform.

First of all, we should target employment. Connecticut has an unemployment rate now in the vicinity of 4 percent. Yet, New

Haven, which I represent, is the seventh poorest city in the United States, with a rate of poverty of 25 percent.

There is a hardcore population that we are talking about that are not being reached by even good economic circumstances. They need to be the focus of any kind of job program. They are not the people who get on and get off AFDC. They are the people who are on the program long term. We ought to spend our money there.

If we are forced to target our approach even further, we may well be better to decide to spend our money on the children of those families than on the parents. If we are talking about breaking the cycle of dependency, we have to try to be realistic. I do not think there has been enough discussion about the hopes and possibilities for the children.

These are questions of educational assistance, questions of teenage pregnancy prevention, things that have to do with keeping these young people in school. If we do not do something about the 9 and 10 year olds in these families, we are not going to solve the problem.

One other specific I think that needs to be worried about in this kind of dependency prevention category. We can't focus only on the people who are already on AFDC. We need to worry about the generalized rules of the people who are working now and the extent to which their work circumstances become less and less attractive compared to how people who are or have been on welfare are treated.

Health insurance is a prime example. I think Mr. Waxman addressed it in talking about the decoupling of the cash and the eligibility for title 19. It is a very troubling circumstance that people who have been on welfare and go into employment may receive medical benefits while people who are in the same job, but have not been on welfare do not receive them.

Both from a standpoint of fairness and from a standpoint of preventing other people from slipping into dependency, equalizing situations like these needs to be a priority.

In summary, let me just say that I think you have a huge job ahead of you. I commend you for both the intensity with which you have taken it on and also for giving an opportunity to your colleagues to provide input to the process. I stand ready to be of any help and assistance from my personal experience that I can be in the process.

Chairman Ford. Let me thank you.

Bruce, there has been a lot of talk in the last 12 months about welfare reform. You have touched up on many of the problems that exist. It is going to be very difficult to reach all of the citizens who are living below the poverty thresholds.

You mentioned the hardcore group and talked about focusing on the majority of the recipients who are the children who receive the grant assistance. When I think about the views of this administration, I become concerned. The President has called for welfare reform and we look forward to hearing from the administration on the 4th of March. I want to work with them on a reform package that can solve many of the problems with the current system.

What is the sentiment of our colleagues in the Congress? I have heard from 15, 18 of them today and I heard your testimony here.

What do we need to include in a comprehensive bill? What about joint referrals or jurisdiction questions? We might be talking about a bill that will cost $2, $3, $5 billion over a 3-year period—maybe $8, $10, $12 billion. How do we make it revenue neutral?

I would like to do that, but I think that we have to approach the issue in a way that will offer meaningful solutions to the problems that are out there.

Are we going to frighten off some of our colleagues, knowing that we are working under severe budget restraints in the Congress, if we move a welfare reform package, that costs more dollars in the first few years?

I, for one, think that we will see a major savings in the out years.

But I am concerned about what our colleagues will say in the House when they see a bill moving to the House floor that is going to cost more money. It is going to have a major impact on these budget restraints that we are working under.

Mr. MORRISON. Well, I think you have well stated a problem that exists. My own opinion, first of all, is that there is some energy now behind the idea of welfare reform and it needs to be managed carefully because it can come out one way or an other.

It can come out with the conclusion that we do something that is just cosmetic and that is the end of it. On the other hand, if we could come up with the money that will be necessary, we could accomplish something really meaningful.

Welfare reform is not a short-run cost saver. Anything that is meaningful here is going to require more investment. It is not as if no one has thought about job training ever before. It is not as if these problems grew up solely because of people being foolish about structuring the system. People were operating under financial constraints in the past. And to break out of some of the past habits, we have to break out some of the past spending limits.

I would say there are two possible tracks: If you are trapped into a context of revenue neutrality by the political realities, then you ought to do some very small things and make it very clear that you are doing small things that make the biggest difference within those constraints. It may be in some of the job training-related areas that you can do that.

I hope you are not trapped there, but if you are, I would hope that you would make it clear that something that is revenue neutral cannot really be reform in any long-term sense.

On the other hand, I would hope the alternative would be that you would try to get behind a decision to spend many billions of dollars over 5 years, which may be in fact the kind of long-term cost savings that result. Obviously, those are speculative, but I think they are out there in terms of future productivity and lessening social expenditures of other kinds for drug abuse and imprisonment and all those other things that come out of long-term dependency.

I think that that is the argument that has to be made. I think there are many of us who are prepared to support that. We are concerned about the budget, sure; but we are also concerned about the long-term future of the country and willing to invest now to have a more viable situation later.

I think you are going to need some data. I am on the Select Committee on Children, Youth, and Families and we have been trying to just make some beginnings on that. That data is not that easy to come by. But to whatever extent you can back up your expenditures with the notion of investment to realize long-term savings, I think there is an openness in the Congress for hearing that kind of an argument.

Chairman **Ford**. Something that would not fall within the welfare reform package and, naturally, would not be within this subcommittee's jurisdiction: Do you support an increase in the minimum wage?

Mr. **Morrison**. I believe that we have to move in that direction. I think that one way or another we have to provide more income for people who work full time at the bottom of the wage scale. Some people think it ought to come out of the public sector rather than out of a minimum wage increase. I am not persuaded by that. I think a minimum wage increase is the best way to go.

I also think that—this probably is not in Ways and Means at all—the notion of a full-employment strategy, which we are not going to get from Ronald Reagan, a full-employment macroeconomic strategy and some things that go with it in the public employment area, are absolutely necessary.

If we say we want people to work but we are going to tolerate 6.6 percent unemployment, we really are talking past ourselves. At some point—I hope under the Democratic President who is elected in 1988—we are going to, perhaps, get back to talking some reality about the jobs that have to be there if we expect people to work.

Many of my clients in my early days of my work in legal services had all been employed during the Vietnam war when unemployment was 3.2-percent nationwide. Many of those people fell out the bottom of the system and never were able to get back on during the whole of the seventies and even into the eighties.

Chairman **Ford**. Thank you very much, Mr. Morrison.

Mr. Ernest Konnyu, from California, let me welcome you to the Subcommittee on Public Assistance of Ways and Means. We are delighted to have you. Thank you very much for taking time out of your schedule to come to talk to us about welfare reform.

I am sorry that some of my other colleagues, who have been here all day, had to leave. I am sorry about that, but I am very appreciative of the fact that you wanted to come and testify before the subcommittee.

STATEMENT OF HON. ERNEST L. KONNYU, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. **Konnyu**. Mr. Chairman, I want to, first of all, congratulate you for having the patience to stay here and listen to this testimony. I know that you take this job of yours and leading this subcommittee very seriously.

I have a prepared statement which I would like to read because I think it makes sense.

Chairman **Ford**. It will be made a part of the record. The full statement will, and you can handle it any way you would like.

Mr. KONNYU. As a California State Assemblyman, I was a ranking Republican for 6 years on welfare and I spent a great deal of my time developing and guiding through the legislature a welfare reform program for California.

Today, I would like to briefly describe to you the very successful program I authored during my 6 years in the California State Assembly.

The program is entitled "Greater Avenues for Independence" or GAIN, for short. GAIN is a mandatory work fare program for able-bodied AFDC recipients yet with a very special twist.

It is a program that pulled together both traditional liberal and traditional conservative ideas for work fare and established a unique bipartisan program aimed at breeding self-sufficiency and not dependency. By bipartisan, Mr. Chairman, I mean—for example the speaker of the State assembly, Willie Brown, not only voted for this bill but attended the news conference announcing the bipartisan compromise.

In essence, GAIN is a county-based program for able-bodied AFDC recipients which offers a series of job search, training, and advanced training options for the participants. The program is mandatory, yet it provides the participants with a wide variety of options.

It is by no means simply a make-work program. In other words, I am saying it is nothing like the Springfield, MO, type effort. What makes GAIN unique and very effective is the emphasis on the sequence of events and the targeting of resources for the program participants and the fact that the recipient and the social worker must both agree by contract on the kind of training and education sought.

That is a unique flavor, I think, to California because that recipient must agree on a contract—in fact, we have a provision where, when the recipient and the social worker do not agree on the provision, then he must go to an arbitrator. That is how seriously we take the role of the recipient in deciding what kind of training they are going to get.

Upon entering the program, a participant is normally required to join a 3-week job club by starting with a job search option rather than training. Thus, the program often saves the added expense of training those individuals who simply need job placement help.

If at the end of this 3-week period a participant does not secure a job, however, the participant becomes involved in training and education which includes short-term work experience, on-the-job training, vocational training, and similar programs as various options. What is important is that this training is targeted to specific job placement upon the completion of the program.

Since the majority of the participants are mothers with children, another essential element of the program is the child care component. For participants with children under the age of twelve, child care is provided.

Also included here are those volunteers—that is those folks with children 6 years of age or under—child care is provided for those who volunteer to be part of GAIN.

Chairman FORD. You do not mandate that in California?

Mr. **Konnyu**. No. Obviously by Federal law, we cannot. But we have authorized them and we recruit them to come into the program at the county level.

Chairman **Ford**. I hate to interrupt you right in the middle of your testimony, but that part does interest me.

You haven't had time, really, to evaluate it, though, to tell the effect——

Mr. **Konnyu**. We just started last year, and it is still in the phasing period.

Chairman **Ford**. I am familiar with the program that you implemented. As a matter of fact, we watched the legislation with great interest when you passed it in California, and I know that you have not had the time to evaluate it.

The age requirement has been one of the concerns of this subcommittee. We are looking at whether the six should be reduced, maybe, to three, with some State flexibility to permit women to decide whether or not they want to opt into the program, provided that child care, which is one of your major components in the California program, is available.

Mr. **Konnyu**. In fact, the law is written in such a way if there is no child care, nothing is mandatory in this program. It is that tightly tied.

Chairman **Ford**. I am sorry to interrupt you. But go ahead.

Mr. **Konnyu**. In addition, transportation to and from the participant's assigned program is provided. By providing these services, the program is much more workable and accessible for the low-income participants.

Perhaps the most important element of the program is its county-based system. GAIN allows counties the flexibility to come up with creative programs suited for the recipients under their supervision.

By localizing the program, targeting of resources and individual attention to participants is a very workable and meaningful goal.

In addition, the program promotes private sector involvement from the community. Such involvement comes in the form of jobs for participants, as well as planning counsels to help direct the program.

This, Mr. Chairman, is only a thumbnail sketch of our California program, but it gives you an idea of the complexity and creativity of California's GAIN program.

In the next several weeks, I will be working to formulate a bill which would modify the California GAIN program to work on a national level. GAIN is a very workable, very effective program operating in California. And I say this from all the first-hand evidence we have had from the various counties including my own, Santa Clara County, Fresno County, and others who are running it. It is my dream to have such a successful idea eventually incorporated into a nationwide welfare-reform program.

In addition, I would like to offer a companion bill to reform the current laws dictating AFDC. Recognizing the troubles that currently pervade our welfare system, I feel it is essential that we revise the AFDC to be more responsive to major family needs.

In addition, changes must be made to unburden our Nation's taxpayers who have been unfairly burdened by excessive cost of certain portions of the system.

It is my sincere hope, Mr. Chairman, that I can work with you and the distinguished members of the committee to come up with creative and effective solutions to our Nation's welfare problems.

I truly appreciate the time you have afforded me today and would be happy to entertain any questions you might have.

Chairman **Ford**. Let me assure you, first off, that we welcome an opportunity to work with you and for you to share with us your input to the welfare reform package that this subcommittee will be working on in the next 45 to 50 days.

It is the intent of the subcommittee to look at all bills that have been introduced and referred to this subcommittee that relate to welfare reform. We certainly will take these bills into consideration when we are marking up legislation. I will start our markup session in the coming weeks.

The leadership indicated to us today that they would like to have a bill on the House floor by the end of May. It is the intent of this subcommittee to continue to look at programs that have been instituted such as the California program.

I must say that we have heard from all 50 States. Nearly all of the commissioners, directors of health and human services in the 50 States have shared with us over the past 18 months programs that have been implemented like, the one in your State. Some States have not implemented programs but have been looking toward some reform measures and welfare reform.

I, for one, as chairman of this subcommittee, feel that States should have strong flexibility to implement work programs within national standards that would be set by the Federal Government and I pledge full support for this with all of my colleagues in the Congress.

Mr. Brown and I have already started talking with each other on welfare reform and we have pledged that we would like to have a bipartisan bill reported from the subcommittee and go to the House floor.

I am convinced that welfare reform is needed. I am convinced that States probably will need all of the flexibility that they can possibly get to implement what would be good for their States. And build on what the President has talked about. Perhaps at the local level there are programs that are already in place that can help strengthen what we are doing.

However I am not sure that we need to demonstrate. I think we need to give States the flexibility to move forward to institute programs like GAIN or other programs that have already been implemented. But what is good for California is not necessarily good for Tennessee or other States. In any event, I look forward to working with you and others in this Congress.

Mr. **Konnyu**. Thank you, Mr. Chairman.

Clearly, I think what is really important in creating meaningful and fundamental welfare reform that will satisfy the broad spectrum of Representatives in this House is the same thing that was needed in California. There we had a Republican Governor but a

Democrat-controlled legislature—almost exactly the same percentage as in this House.

So we needed to satisfy both the conservative elements and we did that through the mandatory element of work fare; and the associated dollar savings. And we needed to satisfy the liberal elements, and we did that principally through the significant investment in additional education and training dollars that California put into the GAIN program.

If you do it that way in this House—and I am just a newcomer, and who am I to say this—but I just have a gut feeling that that is what is necessary in the politics of things and remembering the question you asked from the predecessor—that if you come up with savings on one hand which, I think, conservatives will grab onto as something solid, and on the other hand you create the kinds of necessary spending that we all know that we would like to create in order to make life better for the welfare recipient and for the taxpayer at the same time, that coming up with that kind of a solution, is probably the only hope to get both a bill through the houses—both houses—and get a signature on it.

One of these undersecretaries told me today that when he was at the White House and meeting with President Reagan on this very issue of welfare reform, it was about the only time in the whole meeting where the President did not use his 3-by-5 cards, where he talked from feeling and from memory because he feels that strongly about this issue.

Thank you very much for allowing me this time. I look forward to working with you.

[The prepared statement follows:]

February 19, 1987

The Honorable Ernest L. Konnyu
U.S. House of Representatives,
Representing California's 12th C.D.
before the Subcommittee on Public Assistance
and Unemployment Compensation
Committee on Ways and Means

Mr. Chairman and Members of the Committee, thank you very much for allowing me to address you today regarding welfare reform.

As a California State Assemblyman I spent a majority of my time on developing and guiding through the legislature a welfare reform program for California. Today I would like to briefly describe to you this very successful program I co-authored during my six years in the California State Assembly. The program is entitled Greater Avenues for Independence or GAIN.

GAIN is a workfare program for able bodied AFDC recipients, yet with a very special twist. It is a program that pulled together both traditional liberal and traditional conservative ideas for workfare and established a unique bi-partisan program aimed at breeding self-sufficiency, not dependence.

In essence, GAIN is a county based program for able bodied AFDC recipients which offers a series of job search, training and advanced training options for the participants. The program is mandatory, yet it provides the participants with a wide variety of options; it is by no means simply a make work program. What makes GAIN unique, and very effective, is the emphasis on the sequence of events and targeting of resources for the program participants.

Upon entering the program, a participant is required to join a three week job club/job search program. By starting with a job search option rather than training, the program saves the added expense of training those individuals who simply need job placement help.

If at the end of this three week period a participant does not secure a job, however, the participant becomes involved in training and education which includes short term work experience, on the job training, vocational training, and similar programs. This training and education can last up to two academic years. What is important is that this training is targeted to specific job placement upon completion of the program.

Since the majority of participants are mothers with young children, another essential element of the program is the child care component. For participants with children under the age of twelve, child care is provided. In addition, transportation to and from the participants assigned program is provided. By providing these services, the program is much more workable and accessible for the participants.

Perhaps the most important element of the program is the county based system. Gain allows counties the flexibility to come up with creative programs suited for the recipients under their supervision. By localizing the program, targeting of resources and individual attention to participants is a very workable and meaningful goal. In addition, the program promotes private sector involvement from the community. Such involvement comes in the form of jobs for participants, as well as planning counsels to help direct the program.

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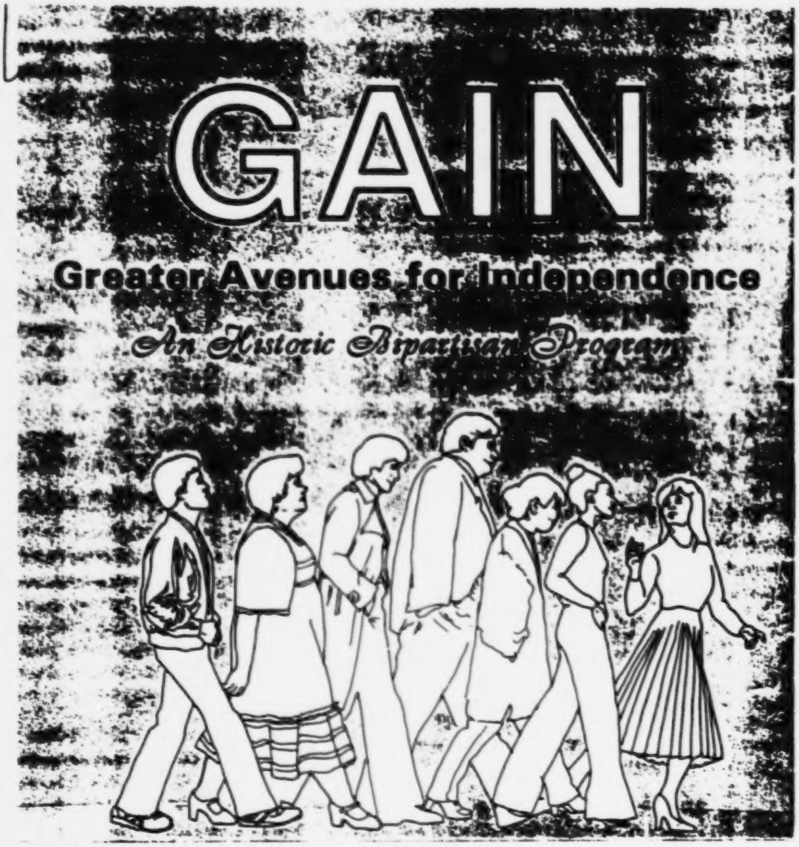
In addtion, I would like to offer a companion bill to reform the current laws dictating AFDC. Recognizing the troubles that currently pervade our welfare system, I feel it is essential that we revise AFDC to be more responsive to big family needs. In addtion, changes must be made to unburden our nation's taxpayers who have been unfairly burdened by excessive cost of certain portions of the system.

It is my sincere hope, Mr. Chairman, that I can work with you and the distinguished Members of the Committee to come up with creative and effective solutions to our nation's welfare problems. I truly appreciate the time you have afforded me today and would be happy to entertain any questions you might have on GAIN.



GAIN

Greater Avenues for Independence

An Historic Bipartisan Program

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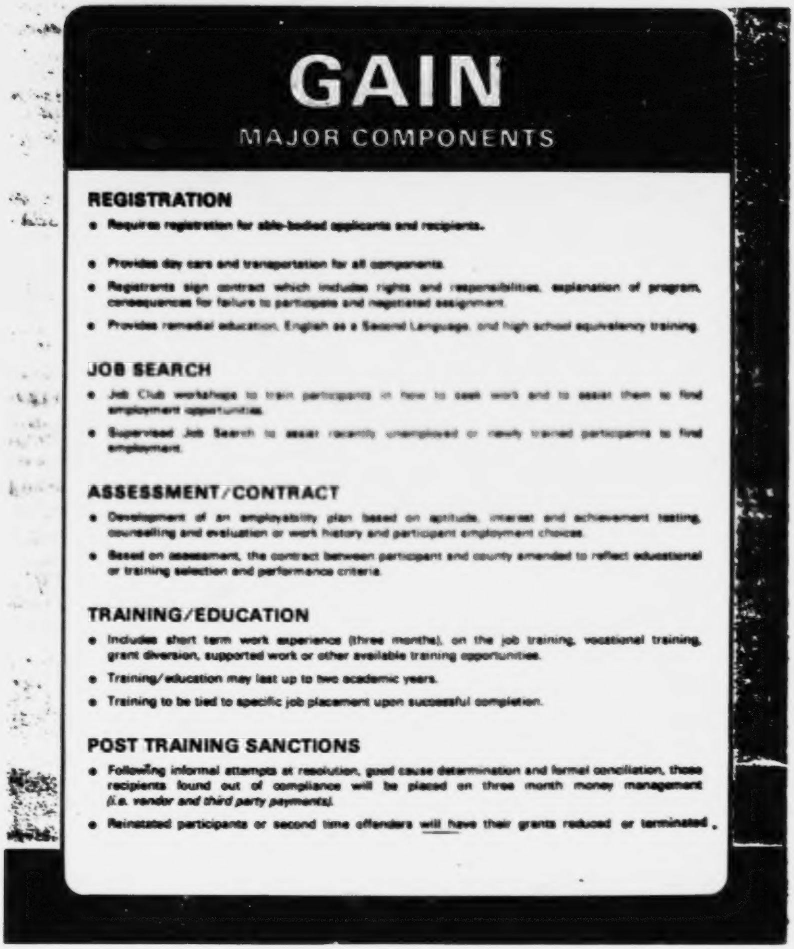
WASHINGTON, D.C. 20515
(202) 225-5411



GAIN

MAJOR COMPONENTS

REGISTRATION

- Requires registration for able-bodied applicants and recipients.
- Provides day care and transportation for all components.
- Registrants sign contract which includes rights and responsibilities, explanation of program, consequences for failure to participate and negotiated assignment.
- Provides remedial education, English as a Second Language, and high school equivalency training.

JOB SEARCH

- Job Club workshops to train participants in how to seek work and to assist them to find employment opportunities.
- Supervised Job Search to assist recently unemployed or newly trained participants to find employment.

ASSESSMENT/CONTRACT

- Development of an employability plan based on aptitude, interest and achievement testing, counselling and evaluation or work history and participant employment choices.
- Based on assessment, the contract between participant and county amended to reflect educational or training selection and performance criteria.

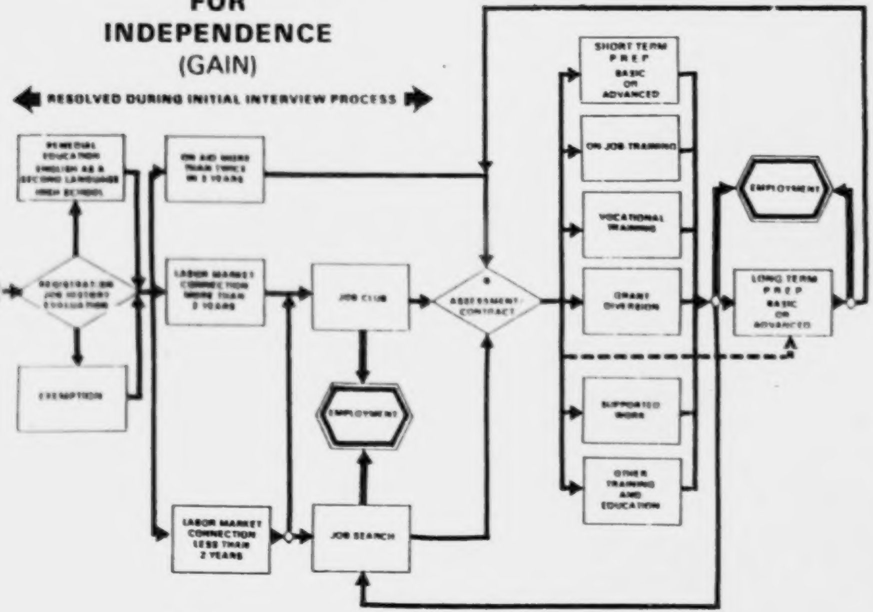
TRAINING/EDUCATION

- Includes short term work experience (three months), on the job training, vocational training, grant diversion, supported work or other available training opportunities.
- Training/education may last up to two academic years.
- Training to be tied to specific job placement upon successful completion.

POST TRAINING SANCTIONS

- Following informal attempts at resolution, good cause determination and formal conciliation, those recipients found out of compliance will be placed on three month money management *(i.e. vendor and third party payments).*
- Reinstated participants or second time offenders will have their grants reduced or terminated.

GREATER AVENUES FOR INDEPENDENCE (GAIN)


RESOLVED DURING INITIAL INTERVIEW PROCESS
START
REGISTRATION JOB HISTORY EVALUATION
REMEDIAL EDUCATION ENGLISH AS A SECOND LANGUAGE HIGH SCHOOL
EXEMPTION
ON AID MORE THAN TWICE IN 2 YEARS
LABOR MARKET CONNECTION MORE THAN 2 YEARS
LABOR MARKET CONNECTION LESS THAN 2 YEARS
JOB CLUB
EMPLOYMENT
JOB SEARCH
*
ASSESSMENT/ CONTRACT
SHORT TERM P R E P BASIC OR ADVANCED
ON JOB TRAINING
VOCATIONAL TRAINING
GRANT DIVERSION
SUPPORTED WORK
OTHER TRAINING AND EDUCATION
EMPLOYMENT
LONG TERM P R E P BASIC OR ADVANCED

LEGEND:

* Options based on Job History. Disputed assessments resolved by 3rd party arbitration.

▬ ▬ ▬ Assigned Directly to Limited Term Pre-Employment Preparation (P R E P) after 2nd unsuccessful Job Search

Chairman **Ford**. Thank you very much, and as I close out, work should be more attractive than welfare. We must talk about more than subsistence. We really want to really address self-sufficiency. That is going to be the goal of this subcommittee as we move to mark up the welfare reform package.

Again let me thank you for testifying.

Mr. **Konnyu**. Thank you.

Chairman **Ford**. I am delighted to have the last witness after what has been a long day. We have with us a new Member of the House from the Baltimore area, Mr. Mfume.

We are delighted to have you before the subcommittee. Thank you very much for taking time from your busy schedule to share with us your views on welfare reform. And as chairman of this subcommittee, I look forward to your testimony.

STATEMENT OF HON. KWEISI MFUME, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MARYLAND

Mr. **Mfume**. Thank you very much, Mr. Chairman.

And my consolation is in knowing, as I was taught as a small child, the last shall be first.

Chairman **Ford**. Right.

Mr. **Mfume**. And I am certainly glad to be here.

Chairman **Ford**. We are delighted to have you.

Mr. **Mfume**. Mr. Chairman, it is good to have this opportunity to appear before you and to express my views on the critical issue of welfare reform.

As you know, I represent the Seventh Congressional District of Maryland, a district that is vitally concerned about welfare reform due to the high incidence of welfare recipients and the attendant social problems surrounding the poverty that exists there.

You, Mr. Chairman, should be commended for taking the lead and encouraging open discussion on the sharing of ideas on this very important subject.

Let me start by saying that I believe that the greatness of a nation is measured most, not by the strength of its military or the caliber of its technological sophistication, but rather by the depth of its commitment to raising the quality and standard of living for all of its people, and particularly to those who are in the greatest need.

I wanted to preface my remarks here with that caveat in an attempt to remind all of us that when we talk about welfare and welfare reform, what we really are talking about is working together to best fulfill that basic of American ideals, caring for our neighbors.

As welfare reform debate builds, it is clear that there are a number of areas in which there is almost unanimous agreement. Most of us would agree that we would like to reform the system so that more people are capable of moving off of welfare rolls and into the work force. And contrary to popular opinion, most of us includes the poor. In fact, a survey taken by the Los Angeles Times in April of 1985, showed that almost 80 percent of the poor said they would prefer to earn their living rather than receive welfare, and almost 90 percent said the best way for the Government to deal with poverty was to give poor people job training and to create jobs for them rather than to simply give them money.

But it is also true that for those long-term welfare recipients and others in extraordinary need, such as working mothers, it is simply not enough to offer them jobs. Work programs cannot succeed in these cases without the provision of adequate support services. Child care, transportation, health coverage and financial incentives must be an integral part of the system and, therefore, must be considered in any discussion of welfare reform.

I applaud and support such innovative approaches as the ET program in Massachusetts, and such new legislative initiatives as Senate bills 280 and 281 introduced in January by Senators Specter and Dodd, and written in consultation with the National Urban League and the Opportunities Industrialization Center. Legislation would use existing appropriations of the Job Training Partnership Act to target severely disadvantaged individuals and families for preemployment training, remedial education and job placement. These, I believe, are steps in the right direction.

If I might digress just a bit, in Maryland there have been some local initiatives as well. Project Independence is a plan fostered by the department of human resources to move able-bodied people from welfare dependents to self-sufficiency. The cornerstone of this project is investment in job opportunities program which links social services, job training, and economic development activities at the local level to create and access jobs for welfare recipients.

And in another program that demonstrates, as I believe at least, the private-public sector cooperation. Ten people who had been dependent on social services just completed this past week an 8-week training program jointly sponsored by the Baltimore City Department of Social Services and the United States Fidelity & Guaranty Co.; 8 of the 10 have already secured jobs in the insurance industry, and others are well on their way to commencing meaningful careers.

I think most of us would also agree, Mr. Chairman, that the welfare reform issue cannot be viewed simply in a vacuum. Governmental attitudes and budgeting levels in the areas of education, economic development, housing and health care directly reflect the depth of commitment to helping those who are in the greatest need. We cannot continue to decrease funding in these critical human service areas while holding up defense as the only untouchable, and expecting them to realize appreciable gains in the welfare reform effort.

Furthermore, let me say that while I support a strong Federal commitment to providing assistance for those served by our existing welfare system, including veterans and students and the elderly, the unemployed and the poor, I also believe that we need to concentrate more of our national resources to getting at the root causes of poverty.

That means, as I see it, Mr. Chairman, finding ways to strengthen the spiritual and economic vitality of the American family, providing productive and creative outlets for our young as a means of reducing school dropouts, and teen pregnancies, and helping small businesses in our communities so that jobs will be there as an alternative to the cyclical dependence on public assistance. These issues are interrelated, as I see it, to improving and to reforming our current welfare system.

Chairman **Ford**. Thank you very much, Mr. Mfume.

What committees do you serve on in the Congress?

Mr. **Mfume**. I serve on the Banking, Finance and Urban Affairs Committee, and on the Small Business Committee in the special——

Chairman **Ford**. What subcommittees do you serve on the Banking Committee?

Mr. **Mfume**. I am on the Housing and Community Development Subcommittee and the International Financial.

Chairman **Ford**. On your Housing Subcommittee, has there been any talk from the administration or the leadership of your committee about housing legislation in this Congress?

One of the big problems that we are faced with, and we read so much of in recent months, is homeless families. The President has been critical of the welfare hotels. The costs of temporarily housing the growing number of homeless families continues to rise. New York and other States use the emergency assistance provisions of AFDC to house these families. As a result, we are going to be faced with spending large dollar amounts for emergency assistance. I am not sure that welfare hotels will meet any of the needs of the growing number of homeless people. I know there has not been a commitment from this administration in the past 6 years for low income or affordable housing in this Nation, and there is a housing shortage for low income, low income working Americans.

And I am just wondering whether or not there will be any legislation forthcoming, or is there anything on the agenda for the Banking Committee to consider any housing legislation in this Congress?

Mr. **Mfume**. Mr. Chairman, let me begin by saying that there has not been any initiative, at least that I have seen, in the past 6 weeks that I have been here from the administration aimed in that area. However, Chairman Gonzalez has been extremely open on the matter and has, as I understand, for several years attempted to prod the committee in that direction.

We were fortunate in that some 10 or 15 of us within the full committee joined with him in the sponsorship of House bill 558, which does in fact provide the $500 million in emergency relief funds for the homeless. And there is an amendment in that particular bill that provides for doing away with the so-called welfare motels. And Governor Cuomo testified before us 2 weeks ago, as well as the Speaker of the House, their feelings about the very real need to change that provision so that, in fact, local governments will be able to use that money as they see it for long-term housing relief rather than to dump it into some of the hotels and motels which are substandard by most definitions, and which still charge alarming rates.

We had markup on that bill today. There are several amendments that will be dealt with in the final markup before the full committee, and we hope to move on it within another 10 days.

Chairman **Ford**. I understand that this aspect of the homeless bill has been brought before the Banking Committee. Congressman Shumer of New York has been talking with us. As a matter of fact, we met with him 30 or 40 minutes ago, and he would like to see this subcommittee, given that the emergency assistance provisions fall within our jurisdiction, move on some additional legislation.

I do not know how we will respond at this time. A half billion dollar homeless bill certainly will move through the Congress because of the support of the leadership. We will consider whether or not we want to report a bill out so that the homeless bill includes a housing piece for the emergency assistance provision of AFDC.

I did note that there weren't any of those funds earmarked. I am not sure that any of the half billion dollars that is in the homeless bill would really address any of the housing needs of homeless families. I thought most of those funds might also be devoted to areas other than housing. You correct me if I am wrong on this.

Mr. **Mfume**. I think one-fifth of the bill has been targeted towards section 8 subsidies to be spread throughout the 50 States. Of course, that is not construction of new housing. It is taking advantage of existing units.

Chairman **Ford**. The certificate you mean under section 8, right?

Mr. **Mfume**. That is correct.

But you are correct in asserting that there is no real housing construction program or initiatives within the legislation except for a provision that will allow certain nonprofit organizations or churches to rehabilitate existing structures within their community, and some of the money in the bill would go toward that.

Chairman **Ford**. You have not seen any of the 501(c)(3)s, or other institutions putting together any program simply because this administration has been somewhat insensitive to those housing needs.

I am concerned, and this will be the final question, about the welfare hotels and the emergency assistance provision under the AFDC program.

I want to know whether or not we would have the support of you and other members of the Banking Committee when they consider a comprehensive welfare package to consider AFDC housing problems. I do not think we can make a comprehensive bill without addressing some of the housing needs in this country. We should consider more than the emergency assistance provision, which provides for temporary housing.

I certainly would hope that the Banking Committee members would be open to moving swiftly on housing legislation if we have a comprehensive bill that would go beyond the jurisdiction of this committee.

Mr. **Mfume**. Well, that is certainly something that has received a great deal of consideration in discussions between myself and Congressman Joe Kennedy and Congressman Flake of New York, and I would daresay that Chairman Gonzalez is open in that particular light as well as several other members of the committee. Whether that constitutes a majority or not is still not clear. But I think, and I feel honestly, that there is a new awareness within that committee in terms of its housing aspect, I mean for so much time the real emphasis has been banking and finance.

But there seems to be at least an early movement toward initiatives in that area, and I would think, while you may not certainly and probably could never have the support of the full committee, there are a substantial number of committee members, including myself, that would be supportive of such an effort.

Chairman **Ford**. Would you convey the concern of this subcommittee as it relates to the housing aspect of it? We will have a comprehensive bill, and I do not know as of today what components of the bill will fall within you jurisdiction. But we certainly plan to address the issue in welfare reform, and I would like for you to convey that to your colleagues on your subcommittee as well as our colleagues on the full committee.

Mr. **Mfume**. I certainly will. It will be my pleasure.

Chairman **Ford**. Thank you very much.

Mr. **Mfume**. Thank you, Mr. Chairman.

Chairman **Ford**. That will conclude the list of witnesses for today. I would like to say for the record again that on March 4, we have extended an invitation to the administration. It is the intent of the subcommittee to hear from the administration on their welfare reform proposal.

Also, on March 6, 10, 11 and 13, we will hear from public witnesses. Notifications are going out this afternoon.

It is also the intent of this subcommittee to begin within the next 3 weeks, a markup session on the welfare reform package,

With that the subcommittee stands adjourned.

Let me reconvene this session and say that for the record that I would like to leave the record open for a period of 1 week for all Members of the House to submit any written testimony that they would like to submit to the committee.

With that, the committee stands adjourned.

[Whereupon, at 4:20 p.m., the subcommittee adjourned, subject to the call of the Chair.]

WELFARE REFORM

WEDNESDAY, MARCH 4, 1987

House of Representatives,
Committee on Ways and Means,
Subcommittee on Public Assistance
and Unemployment Compensation,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:06 a.m., in room 1100, Longworth House Office Building, Hon. Harold Ford (chairman of the subcommittee) presiding.

Chairman **Ford**. Good morning.

The Subcommittee on Public Assistance and Unemployment Compensation of the Committee on Ways and Means will come to order.

It is my pleasure this morning to welcome three administration witnesses who will talk with us about the President's welfare reform proposal. I will be honest, however. I had hoped that we would begin these discussions many months ago. In fact, in February of last year, I wrote Attorney General Ed Meese, inviting him to testify about the administration's welfare reform study and offering to work with him on it. To my dismay, his office responded that they would be happy to share a copy of the report with us once it became public. If we are going to make welfare reform happen, we will have to work together. I view today's hearing as a clear indication that the administration is ready to work with us here in the Congress to move forward with welfare reform.

Today's witnesses include three administration officials who are here to talk about legislation that has been submitted to the Congress. We all know that the Governors' Association embraced a welfare reform package just last week and understand that certain components in that bill have been embraced by the administration.

It is the intent of this committee to have a bill ready within the next 2 weeks, and hopefully we can continue to hear from witnesses and go into a markup session, hopefully, by the first of next month, if not before.

We know that the Trade Subcommittee, in which members of this subcommittee have been very active, is working on trade legislation, and therefore, Mr. Pease, we are going to wait for the Trade Subcommittee to finish its business. Once that happens, I am confident that we can move forward with the welfare reform package.

I will be happy at this time to yield to the ranking minority member of the subcommittee, Mr. Brown, for any opening remarks that he might have.

Mr. **Brown**. Thank you, Mr. Chairman.

I would just like to add my voice of encouragement for our efforts in this regard. I believe there is a consensus that we can make our welfare assistance programs far more effective—more effective not simply from a cost point of view, but more effective in truly helping people.

I want to commend the administration for their initiatives in this area. As I understand it, they are proposing timely changes in the WIN program and in the aid to families with dependent children program. In a separate initiative, with regard to some 59 programs that total almost $132 billion of Federal expenditures, they propose to give the State more authority to coordinate those programs.

But most of all, I would like to commend them for what I perceive as a dramatic change in administrative policy that violates an unwritten law of politics; namely, that almost no agency ever acts to reduce the power or control they have—regardless of the public good. It seems to me that the administration is proposing to reduce the power and control they have had over the lives of others, and to actually give some of the discretion they have in controlling programs to lower levels of government in the belief that State and local governments may provide far more effective programs to help the poor of this country.

I look forward to hearing more about their proposals. Given the strong bipartisan spirit we have for reform in this subcommittee, we are delighted that the administration has joined in.

Chairman FORD. Thank you, Mr. Brown.

Our first witnesses are John Bode, Assistant Secretary for Food and Consumer Services with the U.S. Department of Agriculture; Robert B. Helms, Assistant Secretary for Planning and Evaluation of the U.S. Department of Health and Human Services, and Michael Baroody, Assistant Secretary for Policy, U.S. Department of Labor. I understand that Robert T. Jones, the Deputy Assistant Secretary for Employment and Training is accompanying Mr. Baroody.

Let me welcome the three of you to the Public Assistance Subcommittee. Dr. Helms, we welcome you back. You appeared before the full committee just last week. We are delighted to have the administration before us. We certainly look forward to hearing your testimony.

The Chair will recognize you, Mr. Bode.

STATEMENT OF HON. JOHN W. BODE, ASSISTANT SECRETARY FOR FOOD AND CONSUMER SERVICES, U.S. DEPARTMENT OF AGRICULTURE

Mr. BODE. Thank you, Mr. Chairman.

We appreciate the opportunity to testify before the committee today. If it pleases the committee, I will summarize our joint testimony on the subject of welfare reform. Then, Dr. Helms will summarize his testimony on the administration's GROW proposals; and Mr. Baroody will present his testimony on the AFDC youth initiative.

Of course, it was just over a year ago, in his State of the Union Address, that President Reagan called for an evaluation of our Nation's welfare system. In response, he received a report entitled "Up From Dependency." Those familiar with the welfare system have not been surprised by its conclusions. Our public assistance system is large—over $132 billion in Federal and State moneys spent in 1985—and provides at least some benefits to more than 52 million Americans.

The system is incredibly complex—59 major Federal welfare programs, described in some 6,000 pages of law and regulations, under the direction of eight major Federal departments, and of course, administered through numerous State agencies.

All too often, this maze of overlapping programs constitutes a bewildering tangle of inefficiency and perverse incentives that undermine traditional values. Clearly, this system needs to be overhauled.

While there is much consensus on the direction of reform, there are many issues for which there is no agreement. Furthermore, when it comes to sweeping changes to restructure our welfare system, we must admit that current research does not tell us what will work and what will not on a systemwide basis.

On this point, it is useful to remember past welfare reform experiences. Over a period of years, both Republican and Democratic administrations introduced varieties of welfare reform proposals based on the negative income tax. As a result of the demonstrations, even some of the strong supporters of those welfare proposals can agree that it was best that they were not adopted into national law.

We need further experimentation, supported by sound evaluation, before we embark on national, systemwide welfare reform.

President Reagan has transmitted to Congress a proposed invitation to each of the United States to restructure and improve our Nation's welfare system. This initiative, to give our Nation's complete welfare system a careful reexamination, allows us to test promising ideas for an overhaul of today's patchwork of programs.

We expect States to come forward with ideas that bring some order to the unruly tangle of programs that are authorized at the State as well as Federal levels. Under this approach the welfare system, rather than just a few programs, can be examined and improved.

Under this proposal, H.R. 1288, States would file for waiver authority to establish demonstration projects that test alternatives to our present system. In certifying a demonstration, the State's filing would be considered in light of how it ensure that public assistance is an adequate supplement to other resources and how individual responsibility would be fostered while dependency is discouraged.

States would be allowed to incorporate into a demonstration project all of the Federal funding the State otherwise would receive from certain Federal programs, and the State funding that would have been required will be continued.

So that the entire welfare system is considered, States would be allowed to include in their demonstration projects any of the programs intended to alleviate poverty. The States filing for demonstration waiver authority would make clear exactly what the State intends to do, including which programs would be included, who would participate, principles for eligibility and benefit determinations, the form and amount of benefits, and innovative ways in which the demonstration is expected to meet both the needs of low-income populations and reduce dependency.

We look forward to learning of the involvement of low-income communities in supporting the efforts of individuals and families to become self-sufficient.

Along with other specifics of the scope of the demonstration, the filing must describe the evaluation efforts the State plans to undertake. Of course, at the end of each demonstration, we intend to have acceptable evidence as to whether the demonstration succeeded in its objectives or not.

Mr. Chairman, the Governors have made very clear to us that they need a single place in the Federal Government to bring their reform ideas. So the President has proposed the establishment of an Interagency Low-Income Opportunity Board. The Board would certify appropriate State filings, oversee the demonstration projects—in particular to assure appropriate evaluations—and regularly report to Congress. The Board would be composed of its Chairman, who would be appointed by the President, and the representatives of the departments with responsibility for the Federal programs that are affected.

The Low-Income Opportunity Improvement Act of 1987 provides a reasonable course for reform of the system of welfare programs. Waiver authority would be broad enough to allow a community to improve the way the entire system works, not just one program or another. Care would be taken that the rights of low-income people are protected and that needs of low-income people are met. We would learn more about reducing dependency because we would have sound evaluations of the demonstrations.

This proposal is wholly consistent with proceeding with incremental change in welfare programs wherever research indicates that a change would be prudent. In fact, this research could conceivably produce evidence supportive of some incremental changes.

However, such incremental program improvements should not distract us from exploring a fundamental realignment of our welfare system.

Mr. Chairman, State and community efforts to target the taxpayers' dollars better to those in need, to encourage employment and to increase individuals' choice would result in more low-income families achieving self-sufficiency. We feel this is an opportunity too important to let get away from us.

We appreciate the committee's interest in the administration's proposal and look forward to answering your questions.

[The prepared statement follows:]

STATEMENT OF JOHN W. BODE
ASSISTANT SECRETARY FOR FOOD AND CONSUMER SERVICES
UNITED STATES DEPARTMENT OF AGRICULTURE
BEFORE THE
HOUSE SUBCOMMITTEE ON PUBLIC ASSISTANCE
AND EMPLOYMENT COMPENSATION,
COMMITTEE ON WAYS AND MEANS
MARCH 4, 1987

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# # # # # #

Chairman FORD. Thank you.
Dr. Helms?

STATEMENT OF HON. ROBERT B. HELMS, PH.D., ASSISTANT SECRETARY FOR PLANNING AND EVALUATION, U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Mr. HELMS. Thank you, Mr. Chairman.

Again, it is a pleasure to be here. I am going to ask that my statement be submitted for the record.

Chairman FORD. Without objection, the full text of all of the statements will be made a part of the record.

Mr. HELMS. Thank you.

I just want to make a few informal remarks about what we are doing with our GROW proposal, greater opportunities through work. It is part of the President's Trade, Employment and Productivity Act of 1987, which was introduced by Congressman Michel as H.R. 1155.

First, let me address the question, why did we develop the GROW proposal? First of all, we perceived that there is broad dissatisfaction with the current WIN program. To understand this dissatisfaction, it is important that we distinguish two parts of the WIN program.

First, there are the WIN demonstrations, which I would characterize as being very popular in the States that have them. They include some innovative work programs and have led to much of the bipartisan support for the notion of work requirements in the AFDC population.

On the other hand, there is the regular WIN program which seems to be unpopular; there is little evidence of success for that part of the WIN program. It emphasizes paperwork registration instead of real jobs. It is complicated and expensive to run from the States' point of view and also from the Federal Government's point of view.

And as Congress noted last year in appropriating the funds for WIN, it is time to replace that program with a new alternative that will be more effective in increasing self-sufficiency.

The second reason for developing our GROW proposal are the research findings about welfare dependency. David Ellwood, in work sponsored by my office, has shown that the majority of AFDC recipients who come onto AFDC stay less than two years.

But if you take the young mothers with children under three, 40 percent of those people who come onto AFDC stay on it for more than 10 years. He has identified those people as young mothers, typically unmarried, and they come onto the system without any work experience and very often without a high school education.

We have also had recent studies, particularly coming out of the WIN demonstrations, showing that employment and training programs can reduce AFDC dependency, especially among these recipients that we have identified as the ones who are more apt to develop into long-term AFDC dependents.

Therefore we have tried to use these findings to design our GROW proposal. We have several major goals in designing this piece of legislation.

The first is to reduce long-term dependency. Another goal is to simplify the administration of the program; another to give States more latitude to design their own work and training programs, and in particular to be sensitive to the problems of mothers with young children.

Another goal is to change AFDC recipients' attitudes and outlook about their own ability to work and care for their own families.

To accomplish these goals, the GROW proposal would first require States to gradually increase the proportion of AFDC recipients involved in work, training or education. To do this, we have proposed a 5-year transition period starting with 20-percent participation rates in the States and gradually increasing that to 60 percent by 1992.

There would be higher participation rates, up to 80 percent, for those teenage mothers without a high school education, and a 90-percent participation rate for children age 16 and older who are on AFDC.

I would note, though, that these participation rates would be, we think, relatively reasonable for the States to reach. This is because we are increasing to a much larger pool the AFDC recipients required to participate. When you drop the requirement that people do not have to participate if they have children under 6, as under present law, you add approximately 1,400,000 persons to the pool. In addition, by adding one requirement that recipient children age 16 and older remain in high school, another 570,000 persons are added to the pool of people who could possibly participate in these work and education programs.

We are also proposing to have this new program run by HHS rather than jointly with the Department of Labor, and there would be only one State agency involved in each State; we think that would simplify the administration.

Also, the administration has committed $2.4 billion over 5 years to pay for the costs of this program including support services such as childcare, transportation, and administration. We are proposing a 50-percent Federal match which is open-ended, different from the old WIN program, which is a fixed allocation. By proposing an open-ended match rate, we are making a strong Federal commitment to this program. We are willing to make this commitment because we think this is a good investment, and we really think it will lead to a reduction in dependency.

Also, we have taken several steps to protect mothers with very young children, but at the same time, provide incentives for this most vulnerable group to participate in some kind of work or education program.

To protect them, we have a gradual phasein of the percentage of recipients over 5 years, going from 20 to 60 percent. I would emphasize that even after 1992, the States will still have 40 percent of nonexempt recipients that would not be required to participate. We think that will give States the needed latitude to provide for the hard cases and those with special situations.

We are allowing part-time work—20 hours a week—to count as participation for meeting the States' goals. A high school education or an equivalency certificate would count toward the participation goal. And States would have a wide range of work, job search, and training activities to choose from to meet these goals.

Let me say there has been a great deal in the newspapers on about the bipartisan support for welfare reform. I heard this morning that somebody has taken a poll of Congress, and over 90 percent of Congressmen like chocolate. I would just hope that perhaps the Congress will like this proposal as much as they like chocolate.

In summary, we think this is a good proposal. We think it is based on good research, and it is based on common sense. We think it is in tune with what the States now want to try. And last of all, we think it will lead to a reduction of dependency which almost all the AFDC recipients tell us they want.

We look forward to working with you to get this bill passed.

Thank you very much, Mr. Chairman.

[The prepared statement follows:]

Statement of

Robert B. Helms, Ph.D.
Assistant Secretary for Planning and Evaluation
Department of Health and Human Services

I am pleased to have this opportunity to discuss the Administrations's Greater Opportunities through Work proposal or "GROW." This proposal is included in the President's proposed "Trade, Employment, and Productivity Act of 1987" which was introduced by Congressman Michel on February 19th as H.R. 1155.

The goal of GROW is to place more welfare recipients in activities that will promote economic self-sufficiency. Those of you who are familiar with past Administration proposals will see that this year we are placing new emphasis on early interventions to increase the employability of Aid to Families with Dependent Children recipients to prevent and to reduce long-term dependency and give young AFDC recipients opportunities for a better life. We have learned much from research on AFDC recipients and on states' experience with employment and training programs. And we have responded with a new approach.

Recent research by David Ellwood, funded by the Department of Health and Human Services, shows that the AFDC population is diverse. While the majority of those who go on AFDC are on the rolls for less than two years, others stay on for ten years or more. Young, never-married mothers tend to have exceptionally long periods of welfare receipt -- 46 percent of young mothers who come on the rolls with a child under 3 use AFDC for more than 10 years. In addition, women with less education and little work experience tend to spend longer periods of time on AFDC. GROW emphasizes early intervention to improve welfare a young mother's prospects for a self-sufficient life. It increases the focus on those AFDC recipients who -- without the program -- would be at greatest risk of becoming long-term recipients of welfare.

Recent research also shows that employment and training programs for AFDC recipients can help reduce their dependence on welfare. This research is based on controlled demonstrations of innovative programs developed by states and localities under laws enacted in 1981 and 1982 that give them increased flexibility to structure work-related activities in AFDC. GROW is shaped by these recent research findings.
I would like to take this time to describe the major elements of the GROW proposal:

Under GROW, parents receiving AFDC and children aged 16 through 18 in families receiving AFDC who have not completed high school would be expected to attend high school or comparable programs leading to a diploma or its equivalent. Those age 19 or over may, at state option, satisfy participation requirements by continuing educational activities leading to a diploma or its equivalent. Although many individuals who lack a high school education are self-sufficient, employment prospects are much more limited for those who do not complete school. Reducing the basic educational deficiencies of AFDC teenagers is a first step in reducing welfare dependency.

Other recipients would be required to participate in a variety of activities which have proven effective in increasing employment rates among AFDC recipients, including job search, community work experience programs, remedial education, training under the Job Training Partnership Act (JTPA), time-limited training directed at immediate employment, and other state-designed activities approved by the Secretary of the Department of Health and Human Services.

Because the AFDC population is diverse and varies by locality, GROW accords states substantial flexibility to shape programs to best meet the needs of their AFDC populations. States also will have the flexibility to require job search by applicants because many who apply for AFDC are work-ready.

Under current law, mothers with children under age six generally are exempt from participation in work-related activities, an exemption that covers more than half of the AFDC caseload. A central feature of GROW is that mothers with children under the age of six will no longer be exempt from participating in activities that could lead to their self-sufficiency. GROW would allow states to exempt mothers of newborn infants only for a period of up to six months after the birth of the child.

Current laws which define welfare mothers with young children as "unemployable" make possible prolonged periods of welfare dependency and restrict the opportunity to learn job skills and become self-reliant. GROW is designed to increase the focus on potential long-term users of welfare who, without increased attention through GROW, would fall behind in their schooling, lose valuable opportunities to gain work experience, and raise children who may never know what it means to have a parent who works. The proposed change in expectations for mothers with young children also reflects changes in society. About half of all mothers with children under age three now work at least part time.

Demonstrations in several states already have shown that work programs are effective for women with younger children as well as for those with older children. Opportunities for welfare mothers of young children to take part in work and education programs must be broadened.

Participation for recipients, including teenagers, will be mandatory rather than voluntary for two reasons. First, volunteers are the people most likely to take steps on their own to integrate themselves into the mainstream of American life; reform must ensure that those with low esteem and aspirations are also helped into the mainstream. Second, mandatory participation sends a message that no one should view a life on welfare as an alternative to marriage and work. Parents must understand that they have the primary responsibility for supporting themselves and their children.

Necessary support services, including child care and transportation, will be reimbursed or provided to those in employment and education activities. A key element of our GROW proposal is our commitment to providing funding for all necessary child care. During the past several years, we have been working with states to develop innovative and useful child care resources ranging from in-home care by relatives and neighbors to placements in centers staffed in part by other welfare mothers. We intend to continue working with states on this issue as more parents with young children begin participating in work or education activities.

Data from many sources indicate that low-income mothers, like those with higher incomes, prefer to entrust the care of their children to family, friends, and other informal care providers. Their preferences are not expected to change, or be changed, under GROW.

GROW would place authority for AFDC work-related activities in the Department of Health and Human Services and state welfare agencies. State costs associated with implementing work-related activities under GROW, excluding education and training, together with necessary supportive services would be matched by federal funds without limit at the current AFDC administrative rate of 50 percent. These include expenses connected with operating work activities such as job clubs; orientation, assessments and referrals; necessary support services such as child care and transportation; and program administration costs. The open-ended 50 percent federal match from AFDC administrative funds is designed to ensure that states have a meaningful financial investment in structuring cost-effective programs.

Education is not funded out of AFDC administrative funds because it is primarily the responsibility of state and local governments. However, the Administration has requested increased funding for Adult Education each year from 1988 to 1992. Adult Education helps states provide literacy and GED education to adults, and the almost doubling of the program (from $106 million in 1987 to $200 million in 1992) should help states implement GROW. Federal support for training already is provided under the current JTPA program and other programs, and it will be enhanced through the AFDC Youth Training program, a Labor Department proposal giving local areas the option to use JTPA resources to fashion year-round remedial training programs for youth in AFDC families. This proposal is also included in the President's proposed "Trade, Employment, and Productivity Act of 1987."

States will be expected to achieve target participation levels, phased in over a five-year period. Overall, the caseload target participation level would be 20 percent in FY 1988, 30 percent in FY 1989, 40 percent in FY 1990, 50 percent in FY 1991 and 60 percent in FY 1992 and beyond. Although both adult and teenage participants would be counted in this overall standard, there will be separate higher standards set for the two teenage groups. The 1992 standard for participation in education will be 80 percent for teen mothers and 90 percent for other recipients who are teenagers. In 1988, the individual state participation rates for these groups will be measured, and states then will be responsible for increasing participation to the 1992 standards in equal increments each year.

Outcome-oriented standards, such as number of job placements, are not being proposed initially because they can lead to "creaming" -- helping those who would have gotten a job anyway, without participating in work-related activities. Creaming is possible in AFDC because so many people stay on the program for a short period of time. We agree with those who insist that work programs not just maintain a process, but produce results. Therefore, we believe that we must develop an information base on which to formulate outcome-based performance standards. Research and evaluation funds are provided in GROW to develop outcome-oriented standards that do not lead to creaming. Once developed, these standards will be integrated into GROW.

Sanctions for nonparticipation in work-related activities essentially are unchanged from current law. However, teenagers required to remain or return to school will not be sanctioned for noncompliance. They will be placed in other activities, including those provided under the AFDC Youth Training program being proposed by the Labor Department, and sanctioned only if they then do not comply. This treatment of teens is designed to ensure everything possible is done to give them the foundation for being productive, responsible adults.

GROW will cost slightly more than it saves in 1988. We project that by the fifth year of GROW, annual federal expenditures in AFDC will be $933 million reflecting our seriousness about reducing welfare dependency. While this represents a large federal and state expenditure, we also believe that GROW is an investment in the future. As a result of GROW, some recipients will become economically self-sufficient and leave AFDC and others will start earning or increasing their earnings, reducing their dependence on AFDC. By the fifth year, we estimate that federal AFDC program savings will exceed costs by $517 million with similar savings in state budgets.

As Congress noted last year in appropriating funds for the WIN program, the time has come to replace that program with a new alternative that will be more effective in increasing self-sufficiency. The GROW program represents an exciting opportunity for us to put into place just such an alternative. I urge you to support this proposal.

Chairman **Ford**. Thank you very much, Dr. Helms.

Mr. Mike Baroody?

STATEMENT OF HON. MICHAEL E. BAROODY, ASSISTANT SECRETARY FOR POLICY, U.S. DEPARTMENT OF LABOR, ACCOMPANIED BY ROBERT T. JONES, DEPUTY ASSISTANT SECRETARY FOR EMPLOYMENT AND TRAINING

Mr. **Baroody**. Thank you, Mr. Chairman.

I, too, am pleased to have this opportunity to present to the committee the administration's welfare reform proposals, and I am here to address specifically the AFDC youth initiative which was developed at the Department of Labor and is contained in the President's Trade, Employment, and Productivity Act of 1987, transmitted to Congress last week.

The AFDC youth initiative proposal focuses on young parents receiving aid to families with dependent children, and on youth in those families. As Dr. Helms indicated, recent research tells us a lot about those families and indicates that we should be placing a high priority on serving both groups.

Some 50 percent of all women on AFDC have their first child as a teenager. The group at greatest risk of becoming long-term AFDC recipients is young unwed mothers who enter the welfare system when their child is less than 3 years old.

Similarly, studies consistently find that children from single-parent families complete fewer years of school and get lower status jobs than other children. They are more likely to become single parents themselves, thus perpetuating the cycle of dependency.

In addition, youth from such households receiving AFDC experience more difficulty in the labor market than youth from other low-income households.

With its focus on young people, our proposal is designed to prevent long-term welfare dependency by giving them the skills they need to become responsible, productive adults, capable of supporting themselves and their own children.

Our proposal would amend JTPA, the Job Training Partnership Act, and the goal of reducing welfare dependency is integral to that program. The stated purpose of the act is to afford job training to economically disadvantaged individuals, including people on welfare, to enable them to obtain productive employment.

Our own most recent data show that 42 percent of enrollees in the JTPA title II-A programs, the block grant programs, were receiving some form of public assistance at the time of their enrollment. We estimate that about 158,000 of the 700,000 title II-A enrollees in the most recent year for which we have data were welfare or AFDC recipients. Additional recipients are served through other JTPA programs such as summer youth employment and training authorized under title II-B of the act.

While welfare recipients form a sizable portion of the clientele served by JTPA, and a number of States have formed linkages between welfare work programs and JTPA, we believe that the program could do more to reduce long-term welfare dependency.

Furthermore, we think that training and employment programs can be an effective vehicle for assisting welfare recipients to make that transition to self-sufficiency. These programs can be particularly useful when they are addressed to those welfare recipients—teenage parents and dropouts—who are at risk of staying on the rolls for a long time.

Our AFDC youth proposal emphasizes the need to target resources to this most at-risk population by providing a package of services more comprehensive than what is now offered under JTPA.

The aim is to dramatically increase the number of AFDC youth served under JTPA by modifying title II-B of the act.

Under the traditional program, economically disadvantaged in-school youth between 16 and 21 years of age are eligible for jobs during the summer months—14- and 15-year-olds are also eligible. Under amendments to JTPA that were enacted last year, this work is now combined with literacy training and remedial education. Service delivery areas are also encouraged to provide counseling and other services to help kids remain in school.

Our proposal would add an enriched program option of employment and training for AFDC youth to the current summer jobs program. Service delivery areas would have three options under this program. They could develop a new, enriched, year-round component targeted to AFDC youth; they could continue to carry out the traditional summer youth jobs program; or they could carry out some combination of the two.

Giving this choice we think is in keeping with the overall JTPA philosophy of letting States and local areas set service priorities based on their local population, needs and capacities.

It will provide the necessary flexibility for areas with large concentrations of AFDC youth and allow service delivery areas to focus their resources on these new programs.

With the new component, local program operators would have flexibility to develop both in-school and out-of-school programs. SDAs electing to operate the new component would be required to describe in its plan a comprehensive plan of service delivery for the AFDC population.

The plan would contain the process for assessing the needs of each participant, including education, training, employment and social service needs that would be provided.

If assessments indicate that there is a need, the SDA must provide the following services, where appropriate: basic and remedial education, drug and alcohol abuse counseling, pregnancy and pregnancy prevention counseling, childcare classes, and life skills planning classes.

Program operators would have a great degree of flexibility in developing the training and employment component of their AFDC youth program, and such training could include classroom instruction, on-the-job training, work experience, job search assistance, and the like.

Inschool youth could concentrate on learning about the range of career options open to them, assessing their interests, learning how to pursue a chosen career, and beginning to develop the basic skills necessary for such a career.

We have also, in fashioning the program, proposed a new allocation formula which would be based—consistent with our efforts to target more of the resources on the areas of greatest need—would be based 50 percent on the number of families receiving AFDC and 50 percent on the number of economically disadvantaged youth. We believe this formula would direct the funds to where they are most needed.

We are proposing that the revised program incorporating the AFDC youth component be funded at $800 million for fiscal year 1988.

Finally, the proposal has been developed in close coordination with the Department of Health and Human Services' GROW proposal. GROW, as you have heard, emphasizes continued schooling for teens without a high school diploma and participation by other employable AFDC recipients in a range of education, training and employment-related activities including JTPA.

The requirements in GROW will ensure that AFDC youth in greatest need enter JTPA and will also provide essential supportive services, such as childcare and transportation, for recipients who enter the AFDC youth program as a result of GROW. Since these recipients include teen parents, this will be an essential ingredient to the success of the initiative.

In sum, we believe the AFDC youth training initiative and GROW, taken together, will help build the skills and self-esteem of young men and women, allowing young women to see a future for themselves other than having children when they themselves are children, giving young men the foundation they need to be fathers that count, and building stronger families so that these families and educational institutions, and not the streets, are the strongest schools.

Mr. Chairman, I appreciate this opportunity and look forward to answering any questions.

[The prepared statement follows:]

STATEMENT OF HON. MICHAEL BAROODY, ASSISTANT SECRETARY FOR POLICY, U.S. DEPARTMENT OF LABOR

Mr. Chairman and members of the subcommittee, I am pleased to have this opportunity to testify before you today on the Administration's welfare reform proposals.

The AFDC Youth Initiative developed by the Department of Labor is contained in the President's "Trade, Employment and Productivity Act of 1987" that was transmitted to Congress last week, and introduced by Congressman Michel as H.R. 1155 and Senator Dole as S. 539. The proposal focuses on young parents receiving Aid to Families with Dependent Children (AFDC) and youth in AFDC families.

Recent research indicates that we should place a high priority on serving these two target groups. Some 50 percent of all women on AFDC had their first child as a teenager. The group at greatest risk of becoming long-term AFDC recipients is young, unwed mothers who enter the welfare system when their child is less than 3 years old.

Moreover, studies have consistently found that children from single parent families complete fewer years of school and get lower status jobs than other children. These children are more likely to become single parents themselves, thus perpetuating the cycle of welfare dependency. In addition, youths in households receiving AFDC experience more difficulty in the labor market than youth from other low-income households.

With its focus on youth, our proposal is designed to prevent long-term welfare dependency by giving young people in welfare families the skills they need to become responsible, productive adults capable of supporting themselves and their children.

Our AFDC Youth proposal would amend the Job Training Partnership Act (JTPA). The goal of reducing welfare dependency is integral to JTPA. The stated purpose of the Act is to afford job training to economically disadvantaged individuals—including persons or members of families on welfare—to enable them to obtain productive employment.

Our most recent data show that 42 percent of enrollees in the JTPA Title II-A programs—the programs run under the JTPA block grant—were receiving some form of public assistance at the time of their enrollment. We estimate that 21 percent, or 158,000 of the 700,000 Title II-A enrollees in the most recent year for which we have data were AFDC recipients. Additional AFDC recipients are served through other JTPA programs, such as the Summer Youth Employment and Training Program authorized by Title II-B.

While welfare recipients form a sizable portion of the clientele served by JTPA programs, and a number of States have formed linkages between welfare work programs and JTPA, we believe that JTPA could do more to reduce long-term welfare dependency. Furthermore, we believe that training and employment programs can be an effective vehicle for assisting welfare recipients to make the transition to economic self-sufficiency. These programs—can be articularly useful when they are addressed to those welfare recipients—teenage parents and high school dropouts—who are at-risk or staying on the rolls for a long time.

Our AFDC youth proposal emphasizes the need to target resources to this most at-risk population by providing a package of services which is more comprehensive than anything offered previously under JTPA. Its aim is to dramatically increase the number of AFDC youth served under JTPA by modifying Title II-B of the Act.

Under the traditional Title II-B program, economically disadvantaged in-school youth between 16 and 21 years of age are eligible for subsidized jobs during the summer months (14 and 15 year olds may be eligible at local option). Under amendments to JTPA that were enacted last year, this work experience is now combined with literacy training and remedial education. JTPA Service Delivery Areas also are encouraged to provide counseling and other services that will enable these youth to remain in school.

The proposed "AFDC Youth and Summer Employment and Training Amendments of 1987" would add an enriched program option of employment and training for AFDC youth to the current Title II-B summer youth program. Service Delivery Areas would have three options under the new Title II-B: they could develop a new, enriched, year-round component targeted to AFDC youth; they could continue to carry out the traditional summer youth employment program; or they could carry out some combination of the two. Giving Service Delivery Areas the choice of adopting the new AFDC youth component is in keeping with the overall JTPA philosophy of letting states and local areas set service priorities based on their local population, needs and capacities. It will provide the necessary flexibility for areas with large concentrations of AFDC youth to focus their resources on this new component, while enabling areas with low numbers of AFDC youth to continue to use their resources for the standard summer youth program.

Under the new AFDC youth component, local program operators would be able to develop both in-school and out-of-school programs for AFDC youth. Service Delivery Areas electing to operate the new component would be required to describe in its job training plan a comprehensive plan of service for the AFDC youth. This plan would contain: the process for assessing the needs of each participant, including educational, training, employment, and social service needs; the services and activities to be provided to the AFDC youth, the estimated length of time of the services, and the agencies that will provide them; and the goals to be attained by the participants, including intermediate success points during participation.

If the assessments indicate that there is a need, the Service Delivery Area must provide the following services, where appropriate: basic and remedial education, drug and alcohol abuse counseling, pregnancy and pregnancy prevention counseling, child care classes, and life skills planning classes.

Program operators would have a large degree of flexibility in developing the training and employment component of their AFDC youth program. Such training could include classroom instruction, on-the-job training, work experience, job search assistance, employment counseling, and orientation to the world of work. In-school youth could concentrate on learning about the range of career options open to them, assessing their interests, learning how to pursue a chosen career, and beginning to develop the skills necessary for such a career. Of course, these youth would be strongly urged to remain in school and obtain their high school diploma. Programs for out-of-school youth could concentrate on getting them to return to school, on training them for particular careers, or on teaching them how to prepare for, to apply for and to interview for specific jobs.

Our AFDC Youth legislative proposal also would change the current Title II-B allocation formula in order to better target funds to the population eligible for the

AFDC youth and summer employment programs. Currently, the fund distribution for the summer program is heavily weighted by the level of total unemployment in the area. This formula targets resources heavily to areas with high adult unemployment. Since urban Service Delivery Areas usually contain both pockets of extreme poverty and very affluent areas with vigorous economies, overall employment conditions are not the best indicator of the intensity of need for youth or AFDC families. Moreover, cyclical changes in unemployment rates may cause large funding swings under the current formula.

The proposed allocation formula would be based 50 percent on the number of families receiving AFDC and 50 percent on the number of economically disadvantaged youth. We believe this formula will better direct the funds to where they are most needed.

We are proposing that the revised program, incorporating the AFDC Youth component, be funded at $800 million for Fiscal Year 1988. This represents a $50 million increase in funding over amounts appropriated for the Summer Youth Employment and Training Program for FY 1987.

Our AFDC Youth proposal has been developed in close coordination with the Department of Health and Human Services' Greater Opportunities Through Work, or GROW proposal. The GROW proposal emphasizes continued schooling for teens without a high school diploma, and participation by other employable AFDC recipients in a range of educational, training, and employment related activities, including JTPA programs. The requirements in GROW will ensure that AFDC youth in greatest need enter JTPA and will also provide essential supportive services, such as childcare and transportation, for recipients who enter the AFDC youth program as a result of GROW. Since these recipients include teen parents, this will be an essential ingredient to the success of the initiative.

We believe that the AFDC Youth Training initiative and GROW, taken together, will help build the skills and self-esteem of young women and men, allowing young women to see a future for themselves other than having children when they themselves are children, giving young men the foundation they need to be fathers that count, and building stronger families so that these families and educational institutions—not the street—are the strongest schools.

Mr. Chairman, I appreciate this opportunity to testify before you today. At this time I would be pleased to answer any questions that you or your colleagues may have.

Chairman FORD. Thank you very much.

Mr. Bode, you mentioned in your testimony that the administration would create this position in the White House.

Mr. BODE. Mr. Chairman, we were not specific about where the position would be. There would be a board established under the legislation that the President has transmitted to Congress. There would be a chairman of that board, appointed by the President, and of course that person, as a Presidential appointee, would be subject to being called to testify before Congress, and we anticipate a good deal of congressional oversight.

The legislation and my testimony were not specific as to where that person would be housed, and of course, the other members of the board are the various department heads from concerned agencies.

Chairman FORD. Well, let's not talk about where the individual or the individuals would be housed. Are you saying that the Department of Health and Human Services would not administer the new welfare or low-income opportunity program that has been proposed by the administration?

Mr. BODE. The board itself would be responsible for oversight of these demonstrations that are certified by the board. The various agencies that administer programs superseded by the demonstration would be consulted; they would work on it, and we envision them participating in review. Of course, there are reviews and audits for these demonstrations.

So the agencies would be very much involved.

Chairman Ford. The agencies would be involved under your program—but if my local municipality wanted to conduct a demonstration and passed it on to the State, the State would submit it to this board that would be set up by the President, and that board—not Health and Human Services—would make a decision on whether or not this demonstration would be granted. Is that right?

Mr. Bode. That is right. Health and Human Services' Secretary would be a member of the board. And of course, I believe the legislation specifically refers to requiring advance consultation with the agencies administering programs that would be affected by such a proposal prior to the board addressing itself to a demonstration filing.

Chairman Ford. You have described the administration's proposal for the community-based demonstration projects. Let's take AFDC, for example. If a State put AFDC in a demonstration, you would continue to give the State the AFDC resources that it is currently receiving; is that correct?

Mr. Bode. Yes, sir. Also, we would project the expenditures, the Federal moneys that would go into AFDC, and the State would be required to put in the money that it otherwise would have been required to contribute for AFDC.

Chairman Ford. Am I correct that an individual's entitlement to AFDC benefits could be eliminated if the State chooses?

Mr. Bode. The State would have flexibility in redirecting assistance. The State could modify not only the form, but eligibility criteria for assistance. But there is a very important requirement in the legislation.

Chairman Ford. In other words, the AFDC grant or the AFDC entitlement under this proposal could be eliminated.

Mr. Bode. So long as the essential needs of the low-income population are addressed by the proposal. There might be a better way to provide assistance to low-income Americans than through one program or another.

Chairman Ford. In other words, you are suggesting that there might be a better way than the current process for delivering these benefits. For example, you would permit the local demonstration to say, well, John Doe, we are going to double your food stamps. Now, rather than your eligibility of $200, hypothetically we are going to double that to $400. But, as a result, you will not be entitled to your cash assistance from AFDC. Is that correct? Could this happen?

Mr. Bode. I do not see how that sort of a proposal would address the essential needs of the low-income population, sir. You know, since food stamp coupons are restricted in their use—they can only be redeemed for groceries—then a number of the households' essential needs would not be addressed, and I do not see how the board could certify that sort of a proposal.

Chairman Ford. But Mr. Bode, how would you protect the individuals' rights from States declaring them ineligible for cash assistance?

Mr. Helms. Let me respond to that.

Mr. Bode. Sure.

Mr. HELMS. The working group discussed this issue. We considered the tradeoff between limiting options to allay these concerns and giving the Governors and the people at the local area the flexibility to design a good program to carry out what they perceived as a better way to help the poor.

So we put in language that requires that States must come forward with a plan to help the same populations that are aided by the current programs. The board will look at that plan, put forward by the State, to see if it really meets that purpose.

Mr. BODE. Mr. Chairman, if I might add, I think that there is a protection in that the State must go through its decisionmaking processes. We are only going to be talking about filings by the States so the elected representatives of the people of that State will be deeply involved, and of course, make the proposal.

The filing that is submitted must specifically address how it will meet the essential needs of the low-income population. Once again we go back to the maintenance of effort. The money will still have to be provided from both the Federal and State levels on a par with what would have been provided otherwise; and of course, the board must independently certify that those needs are addressed. And then, of course, we finally get to the point where there will be congressional oversight of demonstration proposals and filings and those efforts.

And of course, Dr. Helms points out as well, the requirement in the proposed bill is that any savings or reductions in expenditures in regular program activities must be redirected to efforts to alleviate poverty. So this is not going to be an effort to siphon moneys out of these types of programs in order to reroute them to build bridges or something.

Chairman FORD. Is the low-income population smaller than the AFDC population, in your view?

Mr. HELMS. Well, you get into complicated issues of definition there. If you include not only AFDC benefits but the wide array of income-tested programs that provide both cash and in-kind support, there are going to be some States that have benefits above that definition.

Chairman FORD. Some States—pardon me, I did not hear you.

Mr. HELMS. That is some States will be giving a benefit package to some people valued at more than whatever your definition is.

Mr. BODE. Mr. Chairman, are you defining poverty as 100 percent of the poverty guideline?

Chairman FORD. I am trying to let you define low-income and asking how that definition compares to the current AFDC population.

Mr. BODE. Well, as you know, and I think the report points out, there are many different definitions that can be used. What we think is most appropriate is how needs of low-income Americans are addressed, rather than going by one arbitrary definition or another. And I do not use "arbitrary" in a disparaging way there, but I am just trying to recognize that that is a reality of any definition that is applied.

Chairman FORD. How would you evaluate the demonstrations? Would you require random assignment, or control groups, so that they could compare the demonstrations to current law?

Mr. **Bode**. I think some of both, Mr. Chairman. It depends on the sort of activity being demonstrated. Of course, there is a great deal to be said for random assignment. However, there are some situations in which an effort would not make sense with a random assignment-type effort—some of the local community efforts at Kenilworth-Parkside here, for example. That could not possibly be experimented with.

Chairman **Ford**. How would you know whether or not the demonstration is better than current law? How would you make that determination?

Mr. **Bode**. Oh, there would be control groups. We anticipate using control groups in situations where there would not be random assignment.

Chairman **Ford**. You would not use random sampling?

Mr. **Helms**. Again, we have discussed this problem. Our objective in including a requirement for evaluation, is that we think these State-designed programs should be put to the best possible test that can be designed. We very much desire that the best-quality evaluations be done. When you can do random assignment, or if you can use a control group, that would be great, but we do not think it is going to be practical in every case.

But if the State cannot use either method, what we are saying is that the State should come forward with some other evaluation plan, and let us look at it. Our intention is to have State programs evaluated to see to what extent they work.

It is a tough problem, and as a researcher, I have to admit that there are going to be cases where you are not going to have as good of a research design as you might like. But that is the case now.

Chairman **Ford**. The President embraced the work, education, and training component of the National Governor's Association welfare reform package. We understand that the Department of Labor has proposed the youth initiative, which would swap the summer youth program with, a year-round youth initiative program. Funds for this would total $800 million per year, $50 million more than the summer youth program is currently costing the Federal Government.

Is that basically what you thought the Governors' work, education, and training component involved?

Mr. **Baroody**. Mr. Chairman, we are not proposing a swap one for the other. What we are trying to do with our proposal is create the additional option of a year-round program or a year-round component to the existing program.

Chairman **Ford**. But the summer youth program targets more than just the AFDC population.

Mr. **Baroody**. Yes, it does. But the new allocation formula for this program would target better toward AFDC youth by basing 50 percent of the allocation on the presence of AFDC youth in the area.

Chairman **Ford**. We would have to admit that you can go beyond the AFDC population and find low-income youth who are in need of additional income to make ends meet. But it would not necessarily mean that the children or the mother are receiving AFDC benefits.

Mr. Baroody. That is right. And they would continue to be served under this program, but also are served under the larger block grant program, title II-A, and JTPA.

Chairman Ford. Is the program a year-round program?

Mr. Baroody. Title II-A is, yes.

Chairman Ford. I mean the summer youth. The summer youth is a summer program, but you are proposing a year-round program?

Mr. Baroody. What we are proposing is the addition of an option to service delivery areas that they could build onto the summer youth program existing now, a year-round component to provide more intense training, to make the young people, the target audience for this program, to enhance their employability.

Chairman Ford. And only $50 million additional dollars for the program?

Mr. Baroody. Well, that brings us to $800 million for this program, and that is on top of the block grant program which is already serving to the tune of about 40 percent this low-income or AFDC population, combined at about $1.6 billion.

But yes, we think with that $800 million, and with the improved targeting of that funding, that we can impact about 170,000 AFDC youth per year. That is a substantial portion of the target population, sir.

Chairman Ford. In addition to the AFDC recipients who participate in the summer program?

Mr. Baroody. No. That is total, sir. This AFDC youth program, the combination of summer youth with the year-round component, that we would hope most service delivery areas would adopt, would serve about 170,000 youth per year.

Chairman Ford. How many participants are there in the summer youth program under current law?

Mr. Baroody. About 700,000.

Chairman Ford. About 700,000. Out of the 700,000 do you have any idea how many are AFDC recipients?

Mr. Baroody. About 10 to 15 percent.

Chairman Ford. About 10 to 15 percent.

Mr. Baroody. Yes, sir.

Chairman Ford. And the other 85 to 90 percent are non-AFDC recipients; is that correct?

Mr. Baroody. They would primarily be low income, yes.

Chairman Ford. But would fall within the guidelines of low income.

Mr. Baroody. Yes, sir.

Chairman Ford. And you are proposing to fund the youth initiative with only an additional $50 million. And the State can determine whether or not it should be a year-round program for the AFDC population, and the AFDC population alone. In some States it would not include other low-income individuals at all.

Mr. Baroody. I want to stress, if I may, sir, the importance of our efforts to target this spending now more directly toward those areas where the AFDC youth population is there to be served. And the combination of that better targeting and some additional funds we think will allow us to serve this population much more directly and much more effectively.

Chairman **Ford**. Mr. Brown?

Mr. **Brown**. Thank you, Mr. Chairman.

Gentlemen, I want to talk more about how we can improve the use of food stamps.

Let me frame the question this way. What we are trying to do with this legislation, and past legislation as well, is to find a way to provide incentives for people to improve themselves through training, education, and productive work and the values that go along with these. Some of the success stories we have all heard have been ones in which public programs have provided that incentive—that is, somebody does better, comes out better, if they improve themselves, than someone who does not. That is a little oversimplified, but I think it sums up the thrust of what we are now trying to do with the Nation's employment and training programs.

My understanding is that food stamp recipients have not really been involved in the programs that provide work incentives and that the reason they are not involved is related to how the food stamp program is funded.

I would like your thoughts on whether that is an accurate observation. And if you think there is some validity to the observation, give us your views on how we can encourage the use of food stamps in a program that provides work incentives.

Mr. **Bode**. Mr. Brown, I think you are absolutely right. The fact that the food stamp program is paid for exclusively by the Federal Government, administered by the States, with the States providing less than half of the administrative costs of that program, makes for a number of incentives that are, in my view, perverse.

I think it is well-known that the accumulation of all welfare benefits frequently cause work disincentives. We furthermore have a perverse incentive through the food stamp program where, because of the administrative responsibilities and benefit responsibilities of the Federal Government, the States have been very slow to pick up on job search and employment and training activities. We had grants for job search efforts for food stamp recipients, not in AFDC, that a number of States simply declined to accept and undertake those job search activities.

We are now working to implement a change in the 1985 food stamp law to require each State to have some employment and training activities, still providing States discretion in how to implement those.

Another important incentive to keep in mind, as I know that many members of this subcommittee have been very concerned about, is State levels of AFDC benefits. The fact that the food stamp program is all Federal money actually works as a disincentive for States to raise benefits through cash assistance programs.

So there are many incentives, many of them perverse in the way they operate. The President's proposal for demonstration projects to examine fundamental realignment of our Nation's overall welfare system will enable us to clean out those perverse incentives and do a better job of efficiently providing assistance to those in need.

We think this is the way to look at a clean start on this array of complex programs.

Mr. Brown. Let me have a go at summing up what we are looking at here. The food stamp program is a 100-percent federally funded program. Thus, State and local governments have very little cost in delivering food stamp benefits to welfare recipients. Now if the State and local governments want to create an employment and training program to encourage work, they stand to save very little money even if they are successful in getting people off the program. The incentives are wrong.

Mr. Bode. Yes. The States have been reluctant to pick up some of those efforts or otherwise to improve administration of the food stamp program. I think it is more than just employment and training activities, because of the fact the State does not have any benefits involved. That is why we think examining a fundamental realignment of the whole array of programs would be very appropriate.

Mr. Brown. Let me ask, what would be the problem with providing either an incentive for States to integrate food stamps into a work program by using a direct payment from the Federal Government, or by sharing the savings that result from a food stamp work program?

Mr. Bode. Well, we are doing some of that in improvements we have made in the 1985 farm bill in the area of employment and training. It provides for some 100-percent moneys from the Federal Government for employment and training activities. And of course, the States then would match additional expenditures required in employment and training in this required program. So there is some progress being made there.

Mr. Brown. Are you noticing a strong reaction to that?

Mr. Bode. Well, we frankly are still in the process of implementing it. Our final regs are out. We have just received our plans from the States. I think there is a good deal of enthusiasm and it holds great promise, but nothing is on the ground, working, now, that I can point to as a success.

Mr. Brown. A major purpose of the administration's welfare reform proposals is to encourage innovation. To do this, you are proposing to create a board that would review proposals for States and grant waivers of existing requirements. Why not simply adjust those requirements themselves? Why not simply grant the flexibility by statutorily removing the requirements, rather than delegating that to a board?

Mr. Bode. Mr. Brown, I believe that across the administration, we are very eager to make improvements in the programs where the evidence is present that a change of one sort or another would indeed be an improvement. And that is why Dr. Helms and Mr. Baroody have talked about specific improvements that we feel can be made.

But in addition to that, we think it is appropriate that we step back and take more of a long-term look at how we can better administer the whole array of programs that make up our welfare system and invite States to do a better job, as so many Governors have told us they can if they just had the flexibility, and let us evaluate those efforts and look for further improvements that can be made from that kind of fundamental realignment where it proves to be successful.

Mr. BROWN. If I understand what you are saying, you are not opposed to adjusting the statutory requirements of welfare programs, but you think that State demonstrations are the way to pinpoint what the needed statutory changes ought to be?

Mr. BODE. Yes, sir. In fact, we are proposing some.

Mr. BROWN. I understand that.

Mr. HELMS. With proposals by both the Labor Department and HHS; we are seeking improvements for the AFDC population. But "up from dependency" deals with a broader problem and we are proposing to set up a system that would allow for greater experimentation across all of the programs that are directed toward the low-income population.

Mr. BROWN. Meeting the basic needs of low-income citizens, as the chairman pointed out a few minutes ago is an essential ingredient if we are going to get bipartisan welfare reform legislation. You touched on an important point in asking how do we ensure that the basic needs of people who qualify for these programs are going to be met.

If I understood your answer, that is one of the things you are going to require in the application, and one of the things on which you will base your approval. My guess is that to sell this in Congress, we are going to need some statutory protection of basic benefits.

Do you have some thoughts on what statutory language might be included in the bill that would provide that guarantee, other than what we have discussed so far.

Mr. BODE. Well, Congressman, I believe that the legislation that the President transmitted in talking about the criteria that are used in reviewing these filings by the States requires and talks about how essential needs of the low-income population are addressed. That must be shown. So it is in the proposed statute, in the bill that we have sent forward.

We would have a concern about any mechanical sort of formula, because it would have the effect of greatly restricting flexibility in terms of how those needs are addressed. That is a concern.

Mr. BROWN. Let me ask just one other question. We talked about training programs and job programs and so on. In your review, have you found some shining successes? Have you found some programs you can point to that you believe have been exceptionally successful?

Mr. HELMS. The successful findings come out of the WIN demonstrations, that have been carried out and studied in several locations across the country.

Dick Nathan has testified on the Senate side on these findings, pointing out—as have GAO reports that these programs do work. In particular, requiring people to participate, often through the use of individual contracts does work. If you get to the recipient and say, "Look, we are willing to provide you with needed support services if you agree to participate in either a training or job program." The indication is that when people are required to do it, one, they like it, and also they are positive about the experience and also that they get jobs, and they tend to actually get off of the rolls.

So we think there is good evidence that our proposed program will work. We are trying to promote through the GROW proposal, incentives for States to increase participation; in work programs and through the welfare reform demonstration proposal, to give States a broader chance to go out and experiment with more programs than just AFDC.

Mr. **Bode**. Mr. Brown, if I might add quickly, we have had some very positive experience with the concept of workfare as it is applied to the food stamp population of work registrants, which are more male, many more of them are single, and there are some significant differences in the population than some other programs. But we have had some good success in enhancing job skills, in moving those people off of the rolls and into productive employment more quickly than otherwise would have been the case.

Mr. **Brown**. The information I have received is that some of these programs involve make-work jobs that require little productive work; that the programs are often not well-administered; and that, frankly, they sometimes teach people the wrong lessons about work—that they can show up and get a paycheck without working hard.

Other programs have been terrific. So these programs vary widely in quality, some are horrible, and some are outstanding. So I am wondering——

Mr. **Helms**. I would agree.

Mr. **Brown** [continuing]. What do you envision we must do to make more of the programs outstanding—or is that possible?

Mr. **Helms**. We put into the GROW proposal a 50-percent match so the States have a financial incentive to make their programs work. Also participation rates are mandatory, and will increase over time. There are also some penalties if States do not meet the participation targets.

One of the reasons for the failure of some of these programs is that they are voluntary. This is consistent with the original Ellwood evidence that most people who go onto AFDC stay on for a short period of time and get off.

There are some obviously very motivated people who have had work experience and who become AFDC recipients because of a divorce or separation. When they get their feet back on the ground and get back into the job market, they find employment and leave the AFDC rolls.

If you have a voluntary program, it apparently appeals to those people who we predict are more motivated, have more job experience and are more apt to get a job any way.

We think the States have to make a stronger push to get the longer term, hardcore recipient involved in the program. That is the evidence that came out of the WIN demos. The evidence is that work programs help most the people who need the help the most—those with the least work experience, the least education, and so on.

Mr. **Brown**. Thank you, Mr. Chairman.

Chairman **Ford**. Mrs. Kennelly?

Mrs. **Kennelly**. Thank you, Mr. Chairman. Thank you, gentlemen.

Just before I begin my questioning, Mr. Bode, you just commented to Mr. Brown that accumulation of all welfare benefits caused disincentive to work.

I would probably say that that is a correct statement some years ago. However, with the rate of inflation, we know that except for the State of Alaska, if you put AFDC benefits plus welfare benefits together, such as energy assistance, food stamps, all States but Alaska have an accumulation rate that means that these people are living under the poverty rate in their various States.

I come at this as a supporter of welfare reform because I feel that when we put AFDC benefits together with all other benefits, we are forming an underclass that is not wanting to stay on because things are so good, but because they are locked out of the system because of living in poverty, being really removed from those helps that get you out of poverty. That is the case that Dr. Helms just referred to, the hardcore, the young person, the illiterate person, the person with a child.

So I hope we can set that thought aside that there still are a lot out there who are not working because things are so good on AFDC plus benefits.

Mr. BODE. Yes, ma'am. I think one thought that came through in so many of the discussions of the working group was that there are about as many different situations and motivations in the low-income community as there are people.

Mrs. KENNELLY. Oh, granted.

Mr. BODE. And these sweeping generalizations that we tend to make in trying to be a little more succinct in responding to questions can sometimes be misleading. What we are trying to say is that that is one factor that I believe some of the research has demonstrated, but there are many factors at play.

Mrs. KENNELLY. Thank you, sir.

Dr. Helms, I would like to refer to your testimony on page 4.

> A key element of our GROW proposal is our commitment to providing funding for all necessary childcare. During the past several years, we have been working with States to develop innovative and useful child care resources.

I came a little late, but am I right that you see the out-of-home activities increasing from 20 to 60 percent under GROW?

Mr. HELMS. Yes. That is our State requirement.

Mrs. KENNELLY. All right. But I have figures here showing me that in 1986, 23 States provided fewer children with childcare services than in fiscal year 1981. When inflation is factored in, 29 States spent less for childcare than in 1981.

So I think we agree we have got a real problem here. Whether we work with the States or we do not work with the States, we have got a real problem when we come to day-care, fitting it in as a meaningful piece of welfare reform.

Mr. HELMS. But we wrote into the GROW requirements that necessary child care be made available. We are committing, as I said, $2.4 billion over 5 years, and a substantial part of the suport service funds are for childcare. It is essential that there be substantial funds for childcare if we propose these participation rates and drop the age requirement for exemption of parents from those with children under 6 years down to those with children under 6 months.

Mrs. KENNELLY. I cannot go any further than 3 years, but as Mr. Bode said, we all disagree.

Mr. **Helms**. Well, I think 3 years is better than 6, because as you know, most women are working now, even the ones with very young children. Around 50 percent of women with children under 3 are now working.

But I would ask people to, before they get locked in on 3 years, to remember the problem we are trying to address. About 1.5 million people are now kept out of the pool because of the 6-year requirement. In other words, they are not required to participate in any work, training, or education program.

So I would ask people to look at GROW very carefully before deciding on a participation cutoff of 3 years, because remember the problem we are trying to get at. You have a situation of a young mother with a kid, up to 6 months, but let us say under 3 years. There is a great deal of latitude in the GROW proposal. I think that it fits in very well with our welfare reform proposal which is intended to encourage self-help projects. Our proposal would provide States the latitude to set up programs for training and to get people back into high school. As a matter of fact, in our proposal there are higher participation rates for young mothers and AFDC children aged 16 to 18. If they do not have a high school education we would require that they continue in high school. Otherwise the State would have to get them involved in something.

It is important to get people involved in some kind of CWEP program or other work-related program, or even some volunteer work with something that is approved by the State.

Mrs. **Kennelly**. Dr. Helms, my disagreement on the 6 months vis-a-vis my choice of 3 years is not that I do not think the mother should be allowed to go out or regain her dignity to support her own family and increase self-sufficiency; that is not my argument over whether the child should be left at 6 months or 3 years, because as you said, we know that mothers are leaving children who are not on AFDC and going out to work.

My problem, picking the 3 years rather than the 6 months, is that I think I am trying to be realistic. Knowing the vast need for day-care today, knowing what can be done and provided, I just think if we try to start at 6 months, we are giving ourselves an absolutely staggering goal, and it may be unworkable, because we know where the level of day-care is now and how far we would have to go up.

I am just trying to be realistic in my goals, not that I am picking when a mother should leave or not leave.

So let us go on with this. On page 4, you continue to say,

> Data from many sources indicate that low-income mothers, like those with higher incomes, prefer to entrust the care of their children to family, friends, and other informal care providers.

Now, Dr. Helms, I would put a period after "prefer to entrust the care of their children to family and friends." I think that is universally accepted, that if your mother is young enough to take care of your children, you much prefer to leave them with your mother, or your aunt, or someone available in the family who has a love for that child.

Mr. **Helms**. Yes.

Mrs. **Kennelly**. In the real world today, if that mother is health and maybe 50 to 60, she is working. The availability of family for rich or poor is no longer there. Yes, you would prefer it, but it not necessarily there for the middle-income person any more than the poorer-income person.

I put the period there because I have some problem with "other informal care providers" and therefore I would have to change the word from "prefer" to "forced" because I think we have a situation in these United States where we do not have adequate day-care, and some people are forced to accept circumstances for day-care that are not of the caliber they might want.

Therefore, if we just gloss over it and say these people that we are going to get into a contractual agreement with can find some relative to take care of the child, and we will go on with our program, I think we have got to very careful with that. I think I want to make sure that anything we go forth with really has meaningful day-care—funds provided to bring this forth so we can get a day-care program in this country, and I really do not want to be part of an effort that brings forth welfare reform and does not address this in a meaningful way.

Chairman **Ford**. Would the gentlewoman yield?

Mrs. **Kennelly**. Certainly.

Chairman **Ford**. Maybe you would have some numbers on that. We are talking about infant care, which I would have to think would cost more than child. Do you have any numbers on what it would cost for infant care for a mother who is going back to work or into some training program? Would infant care cost more than child care?

Mr. **Helms**. I do not think we have any separate numbers on the cost of infant care. I will have my staff look into that. We do have some estimates about what the childcare component of our cost estimate is and how we developed the estimate. I would be glad to provide it for the record.

Chairman **Ford**. Would you do that for the subcommittee? Look at childcare and your plan to require work by mothers of 6-month-old infants and see what infant care would cost as well?

Mr. **Helms**. Yes.

[The following was subsequently received:]

INFANT AND CHILD CARE

Arrangements

Census surveys show that employed mothers with young children rely more on informal child care -- care by family, friends and neighbors -- than on more formal group arrangements.

According to the 1984-85 Survey of Income and Program Participation (SIPP), the primary care arrangement for children under age 3 with employed mothers is care by a relative (U.S. Bureau of the Census, May 1987). According to SIPP data, among infants and toddlers, care by relatives accounts for 54.4 percent of the child care arrangements for children under age 1 and 50.2 percent of the child care for children 1 and 2 year old with employed mothers.

About 32 percent of infants and toddlers under age 3 are cared for in their own home or in another home by a nonrelative. A relatively small percentage of child care provided to preschool children of employed mothers is provided through formal group child care arrangements (14.1 percent of children under 1 and 17.2 percent of children 1 and 2 years old).

Among single working mothers, one finds a significant difference in arrangements depending on whether the mother is employed full-time or part-time. As the table below shows, single mothers employed part time rely more extensively on child care by relatives than single mothers employed full time. (More detailed data by age are not available.)

Child Care Arrangements of Employed Mothers with Children Under Five Years

	Total	Relative	Nonrelative in Child's or Another's Home	Group Care
Single Mothers Employed Full-Time	100%	36	32	32
Single Mothers Employed Part-Time	100%	63	19	18

Source: SIPP, 1984-85

More than a third of mothers working full-time in managerial and other white collar jobs use formal group care for children under 5 while only about 15 percent of mothers working full-time in service and blue collar occupations use such care.

Costs

The data also show that much of the child care provided to preschool children of mothers who work is provided without cash payments or, when payments are made, at modest amounts. These findings are consistent with the heavy reliance by mothers of preschool age children on informal family care and the low rates of use of expensive formal group care.

The 1984-85 SIPP data show that 59 percent of employed mother families with children under 1, 48 percent with children 1 and 2 years old, and 43 percent with children 3 and 4 years old do not pay for child care.[1] Since so many families do not pay anything for child care, the average annual child care expenditures -- by families of all income levels -- are only $855 for children under 1, $1000 for children 1 and 2 years old and $1100 for children 3 and 4 years old.

The amounts paid seem to differ more significantly depending upon whether the mother is working full time or part time, than upon the age of the youngest child. The average annual expenditure for employed mothers working part-time with children under 5 is about $400.

Administration Estimates

The Administration child care estimates are based on estimated expenditures by lower-income working mothers of preschool-age children. (Since there was little difference depending on whether the children were infants or preschoolers, we did not develop separate estimates for infants.) As noted above, the surveys show that employed mothers with young children rely on informal child care more than on formal day care center arrangements. Our pricing assumes that when it is available, mothers will continue to favor informal and family care for their young children.

Overall, we have assumed that there will be substantial increased expenditures for child care as a result of involving families with young children in mandatory work, training and education programs. The higher demands for preschool and infant child care are reflected in our Federal child care cost estimates.

(millions)

	FY88	FY89	FY90	FY91	FY92
AFDC	$40	$101	$201	$296	$398

These costs represent one half of estimated total cost, with states providing a like amount. The child care funding is based on a 50/50 Federal/state match and is open-ended, i.e. the Federal contribution is equal to state spending regardless of amount.

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[1] Nonpayers include families not paying cash, and families where only immediate family members cared for the child.

Chairman **Ford**. I am sorry. Thank you, Mrs. Kennelly.

Mrs. **Kennelly**. Dr. Helms, if you could share with us some of those real sources that you allude to there. We had a case in my State recently—I am from Connecticut—just last week where five children, two and under, died in a fire. One woman was taking care of those children. I am not going to go into the facts of the matter, but one woman has difficulty taking care of five children, two and under. I mean, compare that to the situation where someone has triplets, and the whole neighborhood comes in and helps because this is such an unheard of thing to try to do.

These are the things I worry about. Now, Dr. Helms, I do not want you to think and I do not want the representatives of the administration to think that I am throwing up road blocks. I am not. In fact, I get very excited when I think that there is something we can do when we talk about meaningful work, not work, but meaningful work.

One of the programs we have seen successful in our communities are teachers aides, where the women of the community go into the classrooms and help the teachers. I get excited when I think how we can get women out of their homes, into day-care centers as aides. Everybody is much better off.

So I am not putting up road blocks. But I do really want to raise that red flag—we have had 18 months of hearings, but now that we are serious about welfare reform—that that day-care piece is incredibly important; and nobody, rich or poor, middle-income, wants to leave their children in inadequate day-care. And I think that is going to be a big piece that you have got to look at, and we have got to look at, and we have got to make sure it is adequately funded, or we are going to fool a lot of people, and we are going to lose a lot of credibility.

Mr. **Helms**. Okay. Thank you.

Mrs. **Kennelly**. Thank you, Mr. Chairman.

Chairman **Ford**. Mr. Levin?

Mr. **Levin**. Thank you, Mr. Chairman.

Mr. Helms, you say on page 1 at the bottom, "Recent research also shows that employment and training programs for AFDC recipients can help reduce their dependence on welfare."

I believe that the chairman and everyone on the subcommittee and on the entire committee would agree with that statement.

Let me now, if I might, talk with you and your colleagues about resources. We began this a few weeks ago when you were here with the Secretary.

First of all, on the conversion of the summer program to an AFDC youth program, the amount of resources today are about $750 million if you do not include the rescission. And your proposal would increase it to $800 million, so there would be a net gain of about $50 million. According to CBO, the number of enrollees would diminish from 626,000 to 458,000. That is understandable because the enrollees would be under the new program in for more than the summer, so you have a net loss in terms of the number of people served.

Mr. **Baroody**. But it is our expectation that the decline would be much less, from about 700,000 to something on the order of 620,000 to 625,000. It is less of a decrease than you state, sir.

Mr. **Levin**. All right. This is the CBO figure—or, is this the Department of Labor figure? It is an "Employment and Training Administration Overview." I think it is your budget presentation. It shows a diminution from 626,000 to 458,000.

Well, anyway, my main point is going to be the same. There is a decrease in the numbers served and only about $50 million more.

All right. Now we go over to the overall budget figures and to the worker adjustment program. That is going to be $980 million, and it is for dislocated workers. About 142,000 people would be served, Mr. Chairman, 142,000. I think these are your own figures.

Now, what we have in essence is a net increase for worker training of about $1 billion. But that includes dislocated workers, a much broader category than AFDC recipients.

The GROW program has no money in it for training, no new money in it for training. It has money for day-care and support services, Mr. Chairman. Mrs. Kennelly was just discussing that. And it is interesting that your figures show an increased cost to the Government of only $8 million in 1988 because you are going to save so much through the program; and then for 1989, a diminution of $29 million; and $110 million less in 1990.

Now, CBO says that the cost in 1988 will be $89 million—this is just for support services—for 1989, $244 million, and for 1990, $384 million.

So there is a possible increase in cost from the GROW program, if you believe CBO, of something significant.

Now, I would like to know where the money is going to come from for the GROW participants for training and retraining. Where is it going to come from?

Mr. **Baroody**. I will defer to Dr. Helms in a moment. But Mr. Levin, on the worker adjustment program, it is our estimate that we are going to serve something on the order of 700,000 in contrast to the figure, I think, of 142,000 that you cited. We do expect to serve a much larger population than those numbers indicate.

Mr. **Levin**. All right. How many of those would be AFDC recipients, and how many would be those dislocated workers not on AFDC?

Mr. **Baroody**. Well, the worker adjustment program is targeted toward those who are in the employment stream but laid off or affected by dislocation, so they would——

Mr. **Levin**. Okay. Excellent. Just put a period there.

So the $980 million—you have heard this, Dr. Helms—is aimed at those who are in the workstream. There is not one, single penny more in the GROW program for training and retraining. Where is the money going to come from?

Mr. **Helms**. As I said in my testimony—I am not sure you were here—we have estimated $110 million in costs for the first year and a total of $2.4 billion in costs over 5 years. This is set up as an open-ended match, so the budgeted figure is only an estimate.

Mr. **Levin**. That is for support service.

Mr. **Helms**. Yes; and for certain work activities.

Mr. **Levin**. Now, where is the money coming from for training and retraining?

Mr. **Helms**. You are right. Those costs have got to come out of a reallocation of funds in the Labor Department.

Mr. **Levin**. No, no, no. Mr. Baroody, you said that 2 weeks ago. You said it is the Labor Department. Now, Mr. Baroody has made it very clear that the $980 million is aimed at people presently in the workstream. That is his testimony—and I very much support that program, Mr. Baroody, and I laud it—but what is going on here, well, I will characterize it after you have finished. I think it speaks for itself.

I want Dr. Helms to tell us where the money is coming from for training and retraining under the GROW program. Do not just say "the Labor Department." Where is it coming from?

Mr. **Helms**. Look, let us not be apologetic about this. We designed——

Mr. **Levin**. Be what?

Mr. **Helms**. I am not being apologetic about this thing. We definitely think there should be a State responsibility for funding education. We designed our proposal to provide for support services and work-related activities. We think that education and training is primarily a State responsibility—as it has traditionally been.

We have provided in the budget for $2.4 billion over 5 years in GROW to fund both support services, such as day-care and transportation and other employment related activities.

Let me get back to the CBO estimates, if I might; you asked about that——

Mr. **Levin**. Just so it is clear. You want to talk now about the CBO estimate of the support services, right? They disagree. You find a net cost of $8 million on support services next year, and then a savings of $29 million after support services because of savings in the program from people going into the workstream.

I agree that there are going to be some savings. I think you mischaracterized, if I might say so, the experience of work programs. The most successful work program—I think so far under WIN—has been Massachusetts, which does not have a mandatory work requirement.

But, be that as it may, I think there has been some success through WIN demo programs, and I think, the gentleman from Colorado, the gains have been modest but discernible, distinct.

We can argue over the CBO estimates of the savings and how much support services will cost. I think they are going to cost much more than you think—day-care, transportation—you do not even mention health. CBO thinks they are going to cost more. But before you talk about that, I want you to be clear, if I may ask you—I think you are being clear—there is no new money for the GROW program for training and retraining, and your answer is that it is going to come from the States. Isn't that it?

Mr. **Helms**. Well, let me also point out that the GROW program would pay for a number of job-related activities such as job clubs, job development, CWEP, grant diversion, and like kinds of things.

Mr. **Levin**. But no money for training and retraining and education, right? Say "yes" or "no".

Mr. **Helms**. No.

Mr. **Levin**. Okay.

Mr. **Baroody**. Mr. Levin, I just want to make sure that we are clear. The administration's adjustment program which is, as we agreed, focused on dislocated workers is certainly not the only training exercise we are involved in. And the Labor Department does fund, as I alluded to earlier, the JTPA block grant program at $1.6 billion and the Job Corps program, perhaps more relevant still to the population we are talking about——

Mr. LEVIN. What is the coverage of the Job Corps Program? How many enrollees are there today?

Mr. BAROODY. There are about 40,000 slots that serve about 70,000 kids.

Mr. LEVIN. Okay. And you talk about participation rates, Dr. Helms, and I think this is one of the critical points, Mr. Chairman. You talked, Dr. Helms, about participation rates. This is in the GROW program, mandated—20 percent in 1988, 30 percent in 1989, 40 percent in 1990, and you have not provided a single dollar more for training and retraining for these State programs. And, Mr. Baroody, I respect where you are coming from——

Mr. HELMS. Let me say we do have a $200 million increase in comprehensive education for disadvantaged children.

Mr. LEVIN. For disadvantaged children?

Mr. HELMS. Yes.

Mr. LEVIN. That is title I. And you want to abolish vocational ed, or reduce it.

Mr. Baroody, I respect the Job Corps program, but you are talking about 40,000 people. How many households are on AFDC now, Dr. Helms? It is 3.5 million, isn't it?

Mr. HELMS. It is 3.8 million.

Mr. LEVIN. And 40,000 in the Job Corps. What percentage of the unemployed have been covered by JTPA so far, Mr. Baroody?

Mr. BAROODY. I do not readily have the answer to that, sir.

Mr. LEVIN. It is under 10 percent, isn't it?

Mr. BAROODY. We have been trying to serve and approximating something short of 1 million people a year. I think that puts you well above the 10 percent, but it is certainly not 100 percent, Mr. Levin.

Mr. LEVIN. Well, it is closer to 10 percent than 100 percent, isn't it?

Mr. BAROODY. Yes.

Mr. LEVIN. Okay. So, just so we understand, you have a dislocated worker program of $980 million—and we will find out where this figure came from—but it is in no way going to cover most dislocated workers. It is not intended to go into AFDC. There is not a penny more for the GROW program.

This is the challenge before this subcommittee and the committee and the administration, Dr. Helms.

Mr. BAROODY. Mr. Levin, forgive me. I do not seek to get into a debate. We do not suggest that the dislocated worker program will serve every dislocated worker. We do think that the program is designed to serve most of those who can benefit from services, and 700,000 would be a substantial proportion of the total annual anticipated population of dislocated workers, certainly more than half.

Mr. LEVIN. Okay. That is a different issue because it does not relate to the AFDC recipients.

Thank you very much, Mr. Chairman.

Chairman FORD. Thank you.

Let me follow up with respect to dislocated workers and the AFDC population—what are the age requirements for participants? Age 16 through 19, 16 through 18?

Mr. **Baroody**. The AFDC youth proposal is designed to serve people 16 through 21; at a local option, 14 to 15 year-olds might also be served.

Chairman **Ford**. How does this relate to JTPA? Mr. Levin has already talked about only 10, 12 percent of the unemployed Americans are impacted by JTPA. How will you tie JTPA in to that core group of AFDC recipients in need of assistance? In the past JTPA has not addressed the hardcore unemployable AFDC recipient.

Mr. **Baroody**. It has been focused and has had a goal of serving about 40 percent young disadvantaged. But you are right, Mr. Chairman, that is not equivalent to hard-core AFDC youth.

Chairman **Ford**. Well, I am not speaking of AFDC youth. I am talking about the hardcore head of the household now.

Mr. **Baroody**. Well, again, the program's goals are to identify and serve particularly—and I think it has met to a certain degree our goals—for serving disadvantaged women who would disproportionately be single female heads-of-household.

Chairman **Ford**. That has not been true in my district at all. I am familiar with the PIC and JTPA. We have not found that to be the case, not only in my area, but you have not found that to be the case anywhere in this country. I certainly support the JTPA program, but I am not convinced that JTPA is going to reach down far enough to that hardcore AFDC population, that mother who is probably deficient in education, has not received a high school diploma or a degree equivalent to a high school diploma, who needs not only education but needs the proper training order to move into the work force. And the Job Training Partnership Act has not in the past really gone out to the core group.

Mr. **Baroody**. And the proposal we have brought forward for discussion today clearly is designed on its own terms. It is targeted directly toward the younger AFDC-dependent families—that is, young teenage parents and the children of AFDC parents. They are the definition of that hardcore unemployed or unemployable who will continue the cycle unless we intervene now to break that cycle by providing them enhanced employability. That is what the program, our AFDC youth initiative, is entirely designed and directed toward. That is the proposal before us today.

The JTPA proposal generally is designed not exclusively to serve youth, but certainly to serve youth. Maybe I have lost sight of your question, Mr. Chairman.

Chairman **Ford**. The Governors' Association proposal would cost about $800 million to $1 billion to implement. The President embraced the proposal, but I am not sure he embraced the revenue aspect of the bill.

In order to put a work, education, and training component in place—am I correct that it would cost about $800 million to $1 billion? Is it true that the administration will oppose the Governors' proposal if it is an $800 million price tag on it?

Mr. **Baroody**. The proposal that we have put forward does not have that——

Chairman **Ford**. I am speaking of the Governors' Association proposal, the one that the President last week embraced. The work, education, and training component of the Governors' Association proposal.

Mr. **Helms**. At this point, we are very interested. As the President, told the Governors, he supports it in concept. I would point out that our estimates of GROW costs get to the $1 billion figure in about 3 years, anyway. So while there is some difference in terms of amount of money, but I do not think it is great.

Mr. **Bode**. Mr. Chairman, if I might add, I understand that what the President embraced specifically was the concept of a contract and a sense of recognition of mutual responsibilities and obligations, and commended the Governors for that effort in recognizing that.

Chairman **Ford**. What about a national benefit standard? Will the administration support a national standard?

Mr. **Helms**. Well, we have not seen all the details of the Governors' proposal yet, but I do not think they are necessarily proposing a national standard as they are a standardized methodology and we are certainly willing to look at such a proposal.

Chairman **Ford**. I was not speaking of just what the Governors have proposed. This committee might include a national standard in its bill.

Mr. **Helms**. As part of our "up from dependency" study we went around the country and talked to many people, to States and so on, and I would point out that the administration does not favor setting any kind of national standard. We very much think that that should be set on a local basis. And the President's welfare reform proposal would allow States much more flexibility in setting their own standards.

Chairman **Ford**. You would agree that in some States, there has been a decline in real AFDC benefits of 30, 40, even 50 percent, and that some of the States have low grant payments to AFDC recipients.

Mr. **Helms**. I do not know the precise numbers, but yes, there has been some decline in real benefits, especially when, Mr. Chairman, one looks exclusively at cash assistance, because the total amount of public assistance that is provided in the form of cash as a percentage of public assistance efforts has declined tremendously over the years. Much more assistance is provided in the form of services or in-kind benefits, rather than in the form of cash.

So, by confining ourselves to an examination of cash assistance, we are only looking at part of the picture.

Chairman **Ford**. As chairman of this subcommittee, I appreciate the fact that the administration is on record in support of a welfare reform package. We may disagree in certain areas, but we certainly appreciate the administration working with the subcommittee and other members of this Congress in trying to develop a welfare reform package that will respond to the needs of the welfare population.

I think it is clear that the administration supports welfare reform. I know that many of us who serve on this committee as well as on the full committee applaud the administration's emphasis on this issue.

I have some problems with what the administration has proposed, but at the same time I know that the administration will work with us over the next 2 or 3 months that we will be able to report a bill out.

I am not certain that we can report a bill out that is budget-neutral. I certainly would hope and trust that Dr. Bowen over at HHS as well as Mr. Hobbs at the White House, or whoever is calling the plays for the administration and the President, will take a closer look, monitor what this subcommittee will be doing in the coming weeks, to see whether or not can agree on legislation that will bring about self-sufficiency. I think that is what the administration has called for. I think that is what we would like to do. But we also would like to protect the welfare population.

We know that as a matter of fact, two-thirds of welfare recipients are children, and so we have to focus on the children of this country. Twelve million of them are living below the poverty thresholds and 7 million of the 12 million happen to be within the welfare population. Therefore, we are going to focus on the children.

The administration in their youth initiatives, would like to focus on children who are 16, 17 and 18 years old. I think we must start a lot earlier than the 16, 17 and 18 year-old groups if we want to save those children. We must work with them at an early age and not wait until they are 16 and put them into some kind of training and youth initiative program. That is not to say that this is not a sound program that is being presented by the Labor Department. But I would hope that we could continue to work together look at some of these programs, and not take any firm position now. Perhaps we can report a bipartisan bill that would attract the attention of the administration and would result in a major overhaul of the AFDC system, reforming welfare in a way that we can all be proud of.

Mr. Helms. Mr. Chairman, we appreciate that, and we certainly look forward to working with you and your subcommittee and the full committee. I would also like to point out that we have in HHS a good deal of knowledge of the research on welfare dependency as well as a technical capacity to analyze these issues. If we can help, we would certainly like to.

Chairman Ford. Thank you.

Mrs. Kennelly, do you have any comments or further questions?

Mrs. Kennelly. Thank you, no.

Chairman Ford. Mr. Brown?

Mr. Brown. No questions.

Chairman Ford. That will conclude the panel. There are no further question by members of the subcommittee. I would like to thank each one of the panelists again for being with us today.

Thank you very much.

That will also conclude the business of the subcommittee today. The subcommittee will stand in adjournment.

[Whereupon, at 11:40 a.m., the subcommittee was adjourned.]

WELFARE REFORM

FRIDAY, MARCH 6, 1987

House of Representatives,
Committee on Ways and Means,
Subcommittee on Public Assistance
and Unemployment Compensation,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:05 a.m., in room B-318, Rayburn House Office Building, Hon. Harold Ford (chairman of the subcommittee) presiding.

Chairman **Ford**. The Subcommittee on Public Assistance and Unemployment Compensation of the Committee on Ways and Means will come to order.

This morning we begin the first of four days of hearings on welfare reform with testimony from public witnesses. During these hearings we will hear from a broad array of witnesses, including labor organizations, social welfare coalitions, church groups, advocates, think tanks, and local Governments.

Our witnesses will be liberal, conservative, and in between, and all have something to tell us about our efforts to reform the welfare system to serve our Nation's poor children. I look forward myself to hearing some of the witnesses on the first panel, but Mr. Pease of Ohio will be chairing the committee today.

I want to personally thank you for doing that. The Chair will have to leave shortly.

The first panel will be the executive director of the Center on Budget and Policy Priorities, Robert Greenstein; and the executive director of the Coalition on Human Needs, Susan Rees.

If you don't mind, Mr. Pease, let me turn the chair over to you so I won't have to interrupt your panels, if that is all right.

Mr. **Pease** [presiding]. Yes, Mr. Chairman, we are now ready to proceed.

Mr. Greenstein, let me say that to save us some verbiage later on, we will put the complete statements of all witnesses in the record. You need not ask permission to do that. If you can summarize your statements, that would be just fine. Please proceed.

STATEMENT OF ROBERT GREENSTEIN, DIRECTOR, CENTER ON BUDGET AND POLICY PRIORITIES

Mr. **Greenstein**. Thank you, Mr. Chairman. I am Robert Greenstein, director of the Center on Budget and Policy Priorities, a research and analysis organization that focuses on policies affecting low-income Americans. I appreciate the opportunity to be here today.

I would first, before starting, like to congratulate Chairman Ford for his leadership in this area. Welfare reform is now becoming a more popular area in part because of the work over the last several years—when it didn't get as much attention—of people like yourself in leading the way with some of your proposals over the years.

I would like to first start by talking about work-and-welfare programs, and noting simply that the gains here are positive, but modest. I think that this underscores the need to see work-and-welfare programs as an integral part—but just one part, not the totality—of welfare reform. I think they need to be integrated with other approaches in easing the transition from welfare to work: boosting work incentives, setting minimum benefits, and other areas which I hope to discuss today.

Regarding work-and-welfare programs, one of the key findings of the research to date is that work-and-welfare programs seem to be more cost effective with recipients who have less work experience and greater barriers to employment. These people tend to stay on welfare longer and require a disproportionate share of public assistance funds. Helping them can have a greater impact on reducing public assistance costs and reducing long-term dependency than helping those who would otherwise find their way off the rolls on their own after a relatively short period.

I believe this underscores the need to allocate resources in this area prudently. To the extent that resources are limited, it would seem inadvisable to spread them so widely over the mass of short-term recipients who will leave the rolls rather quickly anyway and who do not have as great barriers to self-sufficiency, if doing so runs the risk of leaving insufficient resources available for the longer-term recipients with greater barriers to employment and who are more likely to need more intensive and more expensive services. As a result, ensuring that sufficient resources are targeted on those with greater barriers to employment and need the more intensive treatment makes sense from both the fiscal and the human standpoint.

Unfortunately, the new GAO report in this area reports that many State work-and-welfare programs are placing emphasis precisely on those with less serious employment barriers and are providing less intensive help to those who tend to stay on the rolls the longest. The GAO reported that, in general, States appear to have chosen to cover larger numbers of recipients by spreading resources thinly over many people, providing most recipients with services that do little to upgrade skills.

In some States, the GAO reported, those recipients who have the least work experience, the most serious educational deficiencies, and the greatest need for child care are screened out and not treated at all because helping them would involve providing education, training, or support services regarded as too costly. Even where these people are enrolled, the GAO found that, in general, they are given inexpensive services that do not upgrade skills, with most receiving job search services which the GAO said are not designed to increase skill levels.

The GAO noted that most participants engage in activities that send them directly into the job market without skill or work habit enhancement. In 23 WIN demo States that the GAO studied, they found only 3 percent of recipients receiving remedial or basic education in these programs, 2 percent getting vocational skills training, and fewer than 5 percent getting other education or training services. The GAO concluded that the evidence suggests encouraging programs to work with people with more severe barriers to employment could improve the long-term effectiveness. But the GAO also noted that to refocus programs on those with greater barriers, providing intensive and expensive services such as education and training, would likely require either more resources or reductions in the overall number of recipients served.

The point I am trying to get to is that in the legislation to expand requirements for States to run these programs and to increase Federal funding for these efforts, it is likely that such legislation will be coupled with some sort of performance standards, and clearly some sort of standards seem appropriate.

I think it is important to design these standards with great care. Standards based solely or primarily on either the numbers or percentages of recipients enrolled or on the number of job placements are likely to result in misdirected incentives to spread resources too thinly and to focus on the most employable. Similarly, requirements to serve all adult AFDC recipients with children above a certain age level can also make it difficult for States to find the resources necessary to provide more intensive services to those who need help the most unless funding is greatly expanded. The wrong type of standards or incentives can take what are modest gains from these programs and make them even smaller. I would hope that legislation would place a particular emphasis on ensuring that the necessary resources are there to serve the people with the more serious barriers who tend to stay on the rolls the longest.

Turning to a second set of work-and-welfare issues, these involve part-time versus full-time work and requirements on mothers with children under 6. While most mothers with children now work outside the home, most mothers do not work full-time, full-year. While 61 percent of married mothers with children are now in the labor force, only about 29 percent work full-time, full-year.

It is also interesting to look at the data on wives in nonwelfare families who would be poor if the wife did not work but in which the wife does work and increases the family income. They have often been cited as an appropriate group to look at in trying to determine what are the proper standards to impose on AFDC members. David Elwood, of Harvard, has observed that only about one in three of these wives works 30 hours or more on average throughout the year. If married mothers do not work full-time, full-year, can a single AFDC mother be expected to do so when there is no other parent to share child-rearing, shopping, or other housekeeping responsibilities?

The common rationale for work requirements is that other mothers are working and welfare mothers should be expected to do so also. Since the data, when carefully examined, show that other mothers generally work either part-time, or full-time but not full-year, I think there are serious questions as to whether AFDC mothers should be expected to work full-time, full-year and sanctioned if they do not. Perhaps we should consider, as Senator Moynihan has noted, the possibility of some part-time requirements rather than simply either full-time requirements or no requirements at all.

Also, turning to the issue of mothers with children under 6: in the past they have not been required to participate and the result has been they have often been excluded from programs. I would hope that the choices would not be limited, however, either to excluding them or requiring that they participate and cutting off their benefits if they do not.

Another approach also ought to be considered and available: making these mothers a high-priority group to reach, strongly encouraging their participation, but without going so far as to cut off their benefits if they do not. This has not been widely enough tried. The GAO found that in many States, exempting women from mandatory requirement has meant making little effort to enroll them in services or provide the necessary child care. The GAO observed that while a mandatory requirement for women with children under 6 may not always be desirable or feasible, voluntary participation in work programs should be increased, especially in programs designed to help participants finish school or obtain skills training.

I would hope the debate would not be limited either to keeping the current system or putting in requirements with sanctions, but that we at least try approaches under which intensive efforts are made to recruit the mothers with young children into employment and training programs before the more severe step is taken of terminating their benefits if they wish to care for their children.

Turning next to the question of the transition from welfare to work, I think the committee has heard much testimony—and I won't go into great detail—on the critical importance of health care and child care during a transition period from welfare to work. I would note that the GAO report also underscores the critical importance of these transition services.

A third area is improving incentives to work. One area I would like to mention is the importance and the benefit of disregarding the earned-income tax credit for AFDC purposes. The earned-income tax credit, broadened by last year's Tax Reform Act, helps offset Social Security payroll tax burdens for low-income working families with children. But one group of working poor families is denied the EITC and provided no offset for payroll taxes: working families on AFDC. After the fourth month on the job, AFDC benefits are reduced dollar for dollar for the amount received and the earned-income tax credit thus has no incentive value for AFDC families.

What this means is that by the fourth month on the job, the net effect is an effective marginal tax rate of equal to or exceeding 100 percent for AFDC mothers who work. For each additional dollar they earn, their welfare benefits drop a dollar, while their payroll taxes increase without any EITC to offset them at all. Not counting the EITC against public assistance benefits—this is needed in food stamps as well as AFDC—would ease the situation and bring the marginal tax rate below 100 percent and increase the income gains realized by working. This would make AFDC mothers who work somewhat better off than those who do not.

Important as this is, I would urge the committee to go farther than that and to also consider modifications in the basic AFDC provisions that require benefits to be reduced a full dollar for each dollar earned after the fourth month in the job. In other words, I am encouraging a revision in the earned-income disregard. In research published last year, Robert Moffitt, of Brown University, found that earlier studies on the work incentive impacts have stopped too soon. Reductions in work effort did not begin to show up until 1983 and 1984, he found, but his study concluded that the weight of the evidence implied that higher transfer tax rates, such as those resulting from OBRA, will reduce work effort among the female-headed population and that lower tax rates would increase it.

There is also a basic equity question here: Is it reasonable to have a top marginal tax rate in the income tax structure of 28 percent for very wealthy individuals while imposing an effective marginal tax rate of close to 100 percent on working welfare mothers after the fourth month on the job? It would be possible to redesign the earned-income disregard both to lower the marginal tax rate and to simplify administration and probably reduce errors in this area as well. I would hope that the subcommittee would consider this.

Finally, in the work incentive area, I would very much hope the subcommittee would consider modifications in what is known as the "100-hour rule" in the AFDC UP program. In States electing to provide benefits to two-parent families, the family is disqualified if the parent who is the principal wage-earner works more than 100 hours a month. Even if the family's income is still below the AFDC income limits, they are then cut off of AFDC and eventually Medicaid as well. Yet, a single-parent family with the exact same income and work hours stays on the program and continues to receive benefits. The 100-hour rule is both antiwork and antifamily and should be changed.

The next area I have in my testimony I will not spend much time on because I know Chairman Ford has been a leader in the Congress on this and is intimately familiar with it: the coverage of two-parent families. I simply wanted to mention one point. In addition to all the profamily arguments, I think mandating UP is also essential to plug a hole in the safety net that has enlarged in recent years due to the shrinkage in the unemployment system. In 1985 and 1986, just 33 percent of the unemployed received unemployment insurance benefits in the average month. These are the lowest coverage rates ever in the program's history. Expenditures for unemployment insurance benefits were 59 percent lower in 1986 than in 1976, after adjusting for inflation, even though the number of employed persons was larger. The erosion of the unemployment insurance system has been greatest for the long-term unemployed.

What we have is a situation that if a two-parent family with a long-term unemployed worker has exhausted its unemployment insurance benefits, they are in many States eligible for no cash assistance whatsoever. Recent studies by the Urban Institute and the Institute for Research on Poverty document that this has significantly increased poverty among the long-term unemployed. Mandating the coverage of two-parent families would therefore be even more important than it was before the shrinkage in unemployment insurance in helping to plug what has become a very gaping hole in the safety net. Again, I congratulate the chairman for his leadership in this area.

Other areas where I would hope that action would be taken involve basic support levels. As you know, AFDC benefits have fallen 33 percent in real terms, after inflation, since 1970. Also, either now or perhaps in the future legislation, an adjustment should be made in the earned-income tax credit by family size to further improve the benefits from work for the working poor. I would note that adjusting the earned-income tax credit by family size is beginning to pick up a rather extraordinary constituency. Among those who have expressed support for it in the recent months are the White House Report on Families, the Heritage Foundation in a forthcoming book, AEI's director of tax policy, the Children's Defense Fund, the Social Policy Task Force of the House Democratic Caucus in a report last year, and others.

Finally, Mr. Chairman, I would like to close with some discussion of the White House welfare reform proposals which call for State experimentation in the low-income area. Clearly, everyone is for experimentation that can help us find how to improve the welfare system. However, the White House proposal turns out, upon close examination, to call not for a reasonable number of carefully designed and carefully evaluated demonstrations, but rather for hundreds of variations, since hundreds of States and localities would be authorized to go their own way and alter basic Federal programs as we know them today.

The White House report envisions legislation that would confer on the White House sweeping authority to waive virtually any kind of Federal requirement in any low-income program and to approve a plethora of State and local deviations.

Moreover, the criteria that would be used to guide administration decisions, as set forth in the bill, seem to reflect the longstanding White House ideological conception of how the low-income system should be altered. For example, the White House bill establishes a policy goal in assessing which proposals to approve: that determinations of recipients' needs should be individualized through local decisions to the extent possible. Not only are Federal benefit standards considered inappropriate, even State standards seem to be frowned upon in this proposal.

I fear that the White House proposal, as now designed, may be less a plan to conduct a maximum number of experiments from which lessons can be drawn than an effort to create so much diversity that Federal standards in low-income programs begin to erode.

The strategy is particular troubling with regard to entitlement programs such as AFDC and SSI, food stamps, and Medicaid. The bill provides that demonstration projects involving changes in these programs as well as others must be designed in such a way that the entitlements are turned into block grants.

Under an entitlement, as you know, a household that is poor enough to meet the eligibility requirements is entitled to assistance. This entitlement is honored even if the State enters a recession when need increases and program costs rise.

Under a block grant, by contrast, the State receives a fixed amount of funds at the beginning of the year. The funds do not increase if need grows. The block grant structure is especially ill-suited to delivering needs-based benefits, particularly during periods of economic downturn when the number of needy households rise while State revenues contract. While the number of those in need rise, the amount of funds is fixed under a block grant.

Under the White House bill, in such circumstances, the White House would have the authority, but absolutely no requirement, to increase funding in a State. It could be limited to the fixed amount prescribed at the beginning of the year. In such a situation, benefit cuts are denial of aid to some of the newly poor or newly unemployed or else across-the-board cuts affecting everybody become likely.

In addition, this undercuts the countercyclical feature of Federal means tests in entitlements—that more Federal funds are infused into a State economy when the economy sours and need increases, and funds are reduced when need shrinks and the State's economy rebounds. A block grant doesn't do that.

As a result, I would hope that broadened authority for demonstration projects would be carefully constructed by Congress. Laws governing AFDC and some other programs already exist, and if this authority is to be expanded, I would hope that Congress would ensure that the number of newly authorized demostrations be kept at a manageable level, and that such projects be subject to careful evaluations from which useful lessons can be learned.

Moreover, with regard to pilots involving entitlements such as AFDC, SSI, Medicaid, and food stamps, I would hope that the entitlement nature of these programs would be maintained. In virtually all demonstration pilots conducted in these programs in recent years—I am familiar with a number of them from the late 1970's when I administered the food stamp program in the Agriculture Department—virtually all of the demos in recent years have maintained the entitlement structure. It easily can be done.

I have one other concern in this area as well. It involves a possible cash-out of food stamp benefits, which would be likely under some of these demonstrations. It is important to note that under the Food Stamp Act, food stamps may not be counted as income in determining benefits in other Federal, State, or local programs.

If the food stamps are cashed out in a demo, it is critical to maintain that protection and require that the portion of the cash payment that represents a cash-out of food stamps continue to be disregarded in other programs, Federal, State, and local.

It is critical because if that is not done, what will happen is the AFDC families living in public or subsidized housing will all have their rents go up the minute food stamps is cashed out as part of the demonstration process.

Let me stop there and thank you again for the opportunity to testify.

[The prepared statement follows:]

STATEMENT OF ROBERT GREENSTEIN
DIRECTOR, CENTER ON BUDGET AND POLICY PRIORITIES
before the
Public Assistance Subcommittee
of the
HOUSE COMMITTEE ON WAYS AND MEANS
March 6, 1987

I appreciate the opportunity to testify here today. I am Robert Greenstein, director of the Center on Budget and Policy Priorities, a non-profit research and analysis organization started five years ago that focuses on public policies affecting low income Americans. In 1979 and 1980, I served as Administrator of the Food and Nutrition Service at the U.S. Department of Agriculture, which operates the food stamp program.

I would like today to discuss several areas related to welfare reform, starting with efforts to promote work and self sufficiency.

PROMOTING WORK AND SELF-SUFFICIENCY

1. Work and Welfare Programs

A new welfare-to-work program for welfare recipients can and should be an important part of welfare reform. Before discussing certain issues related to the design of work-and-welfare legislation, I do want to sound a cautionary note.

It is important that we not oversell what work-and-welfare approaches can accomplish. These programs yield positive, but modest results, and should be an integral part of a multi-pronged welfare reform strategy. If we do nothing other than expand work-and-welfare programs, however, we should not expect major reductions in welfare rolls or long-term dependency.

This conclusion emerges from the findings of the Manpower Demonstration Research Corporation (MDRC), which is analyzing work-and-welfare programs in 11 states, and from a recent General Accounting Office review of work-and-welfare programs across the country, which reported that these programs "should not be expected to produce massive reductions in the welfare rolls." Many welfare recipients are short-term recipients (about half of all recipients who go on welfare leave the rolls within two years); and MDRC's studies show that many people who go through these work-and-welfare programs would find jobs on their own even if the programs did not exist. The most important test of the effectiveness of work and training programs, MDRC has taught us, is not the number of recipients who go through the programs and then find jobs, but rather the number finding jobs who would not otherwise have found jobs on their own (or who would not have found as good jobs on their own or found jobs quite as quickly).

The MDRC results show that in successful programs studied, employment rates among AFDC mothers are about three to eight percentage points higher than would be the case in the absence of the programs -- gains that are important and significant, but modest. Gains in earnings are also in the modest range.

Judith Gueron, MDRC's president, has cautioned that work-and-welfare initiatives should be neither glamorized and oversold, nor dismissed because the results appear small. In a new paper she states:

> "In the past, social programs have been oversold and then discredited when they failed to cure problems. In contrast, these findings provide a timely warning that the state work/welfare mandates will be no panacea, but can provide meaningful improvement....The modest nature of the improvements also indicates that welfare employment obligations can be only part of a 'solution' to poverty. Other reforms -- e.g., changes in the tax laws and expansion of the Earned Income Tax Credit to increase the rewards for work, educational reforms, training and retraining, increased child-support enforcement efforts, and job creation programs -- are important complements if

welfare is not only to be made more politically acceptable, but also to succeed in reducing poverty substantially."*

Targeting for greatest effect

If expanded work-and-welfare programs are to be part -- but not all -- of a larger strategy to reduce poverty and increase chances for self-sufficiency, they will need to be carefully structured to get the best return for the limited resources likely to be available. While there is a general consensus that states should continue to be given broad flexibility to experiment in this area, the fact is that some sort of federal performance standards are likely to be included in federal work-and-welfare legislation and to exert a significant influence on state decisions concerning the types of work-and-welfare programs to run. Federal decisions in this area can enhance or detract from the quality of state efforts.

Therefore, we should apply what has been learned to date from state programs when new work-and-welfare legislation is considered by the Congress. One of the most important lessons at this point is that greater efforts need to be made to avoid "creaming" (concentrating services on the "cream," or the most employable persons) and more emphasis placed on reaching those with greater barriers to employment.

One shortcoming of many past employment and training efforts has been a tendency to provide training and other job-related services to those who have the least serious barriers to employment and are most likely to find jobs on their own regardless of whether services are provided. While this enables program managers to claim a larger number of "job placements," it is generally not the best use of public resources.

One of the key findings of the MDRC research is that the work-and-welfare programs seem to be more cost-effective with those recipients who have less work experience and greater barriers to employment. These individuals tend to stay on welfare longer and require a disproportionate share of public assistance funds. Consequently, helping these persons leave public assistance can have a greater impact on public assistance costs and on reducing long-term dependency than providing job-related services to those who will find their own way off welfare after a relatively short period on the rolls.

This distinction is made even more significant by data on the dynamics of welfare receipt. Of those families who ever go on welfare, half leave the rolls within two years and only one-sixth stay on the rolls consecutively for eight years or longer. Yet at any single point in time, more than half of those on the rolls are long-term recipients, and these families account for more than half of AFDC benefit costs.

These data underscore the need to allocate work-and-welfare resources prudently. To the extent that resources for work-and-welfare programs are limited, it would seem inadvisable to spread large portions of the available resources over the mass of short-term recipients who will leave AFDC rather quickly anyway, who do not have as great barriers to self-sufficiency, and who account for a minority of total program costs. Doing so may run the risk of leaving insufficient resources available for those longer-term recipients who have greater barriers to employment and are likely to need more intensive (and, generally, more expensive) services to overcome these barriers. As a result, ensuring that sufficient resources are targeted on those who have greater barriers to employment and may need more intensive treatments makes sense from both a fiscal and a human standpoint.

Unfortunately, a new GAO report on state work-and-welfare programs provides evidence that in many programs, states are placing more emphasis on serving those with less serious employment barriers than on providing more intensive help to those likely to remain on the rolls longest.

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*The view that work-and-welfare initiatives are just one part of what needs to be done in the welfare reform arena has gained increasingly broad acceptance among conservative and liberal analysts alike, as well as at research institutions like MDRC. For example, in a forthcoming book, Stuart Butler and Anna Kondratas of the Heritage Foundation write "...work requirements in welfare programs -- or the lack of these -- are only a small part of the total picture. Work requirements will not provide a panacea for dependency."

"In general, states appear to have chosen to cover larger numbers of welfare recipients by spreading services thinly over many people," providing most participants with services that do little to upgrade skills, the GAO reported. Moreover, the services tend to be focused on participants who have less serious employment barriers and would be easiest to place -- precisely the group most likely to find jobs and leave the welfare rolls on its own. In some states, the GAO reported, those recipients who have the least work experience, the most serious educational deficiencies, or the greatest needs for child care are "screened out" and not treated at all, because helping them would involve education, training, or support services that are regarded as too costly.

Even when programs do enroll those with greater barriers to employment, the common practice, the GAO found, is to provide them with inexpensive services that do not upgrade their skills. Most participants in the work-and-welfare programs receive "job search services, which are not designed to increase skill levels....in practice, most participants engage in activities that send them directly into the job market without skill or work habit enhancement." In 23 states operating work-and-welfare demonstration programs in 1985, GAO found that more than half of the participants were put into a job search component, but only three percent received remedial or basic education, two percent received vocational skills training, and fewer than five percent received other education or training services.

Counselling that improvements could be made, the GAO observed that "evidence suggests that encouraging programs to work with people with more severe barriers to employment could improve long term effectiveness" and that "serving people with greater employment barriers means more intensive -- and expensive -- services such as education and training." However, to refocus work programs on those with greater employment barriers would likely require either more resources or reductions in the overall number of recipients served by the programs, the GAO warned.

The GAO findings raise important issues to consider in framing welfare reform legislation. There is considerable discussion of legislation to expand requirements for states to run work-and-welfare programs while increasing federal funding for such efforts. Most likely, such increased funding will be coupled with some sort of performance standards. It will be important to design such standards with great care. Standards based solely or primarily on the numbers or percentages of recipients enrolled in work-and-welfare programs -- or on the number who go through these programs and then find jobs -- are likely to result in misdirected incentives to spread services too thinly and to focus on the most employable recipients. Similarly, requirements that states serve all adult AFDC recipients (except those with children below a specified age level) can make it extremely difficult for states to find the resources necessary to provide more intensive services for those who need help most, unless funding is greatly expanded. As a result, standards or requirements of this type may take what are modest, though important, gains from these programs and make the gains still smaller.*

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*The Administration's proposals would require these programs to enroll very high percentages of work registrants, emphasizing quantity over quality while risking leaving few resources available for intensive services to the long-term, harder-to-employ portions of the caseload. The General Accounting Office observed in its recent report on work-and-welfare programs:

> "The administration has proposed expanding programs by mandating high participation rates. Yet the data suggest that states already are trying to spread their funds over large numbers of participants by providing less expensive services such as job search or direct placement. High mandated levels of participation with continued limited funding would likely exacerbate the tendency to serve more welfare recipients in inexpensive options while providing fewer with the education and training services they need."

Federal provisions specifying the types of work-and-welfare activities that can be supported with federal funds are also of considerable importance. For example, Administration proposals not to allow federal funds to be used to support educational components in work-and-welfare programs would likely reduce program impact. There is growing evidence that deficits in basic skills on the part of many low income individuals are directly linked to increased welfare dependency and to higher rates of unemployment, teen-age pregnancy, and crime. Many AFDC recipients have such low levels of education and basic skills that they may have more difficulty finding jobs, in keeping jobs for extended periods of time when they do find them, and in progressing beyond entry level jobs paying sub-poverty level wages. Building educational components into work-and-welfare programs -- including basic skills components, programs leading to a GED (the equivalent of a high school diploma), and the like -- may be especially important for those with the most serious employment barriers.

Work and family responsibilities

A final set of issues regarding work-and-welfare programs concerns requirements for full-time versus part-time work and for mothers with children under six as distinguished from mothers with older children.

David Ellwood of Harvard and Douglas Besharov of the American Enterprise Institute have noted that while most mothers with children now work outside the home, most mothers do not work full-time year-round. Some 61 percent of married mothers with children are now in the labor force, but only 29 percent, or fewer than one in three, work full-time year-round.

A common rationale for the imposition of work requirements on AFDC mothers is that other mothers are working and welfare mothers should therefore be expected to do so too. However, these data raise important questions about whether AFDC mothers should realistically be expected to work full-time and sanctioned if they do not.

As Ellwood notes, perhaps the most appropriate people to use as a standard in setting reasonable work expectations for welfare mothers are wives in non-welfare families that would be poor if the wife did not work, but in which the wife does work and thereby increases her family's income. If these wives can work, the reasoning goes, so can AFDC mothers.

Yet only about one in three of these wives works 30 hours a week or more on average throughout the year. If these married mothers generally do not work full-time, year-round, can a single AFDC mother be expected to do so when there is no other parent to share child-rearing, shopping, and housekeeping responsibilities?

What needs to be considered are requirements on some AFDC recipients for part-time rather than full-time work or for part-time employment and training activities.

A related issue -- whether to impose requirements on mothers with children under six -- also needs a fresh look. Up until now, mothers with children under six have been exempt from work requirements, and many states have failed to make employment and training opportunities available to them. This approach is now coming under criticism, as it becomes apparent that some mothers with young children (such as young, never-married mothers) are among those most needing employment-related assistance.

The choices are not limited, however, either to excluding these mothers from the programs or to requiring that they participate and cutting off their benefits if they do not. Another approach is also available -- making these mothers a high priority group to reach and strongly encouraging their participation, without going so far as to cut off their benefits if they are determined to remain home with their children. This approach has not been widely enough tried. As the GAO found, in too many states, exempting these women from a mandatory requirement has also meant making little effort to enroll them in employment services (and to provide the child care services entailed).

This need not be the case. The policy debate here should not be restricted to the two more extreme alternatives that are sometimes posed as the only choices. Commenting along these lines, the GAO observed in its recent report that "while a mandatory requirement for women with children under six may not always be desirable or feasible, voluntary participation in work programs should be increased, especially in programs designed to help participants finish school or obtain skills training." It may make sense to try approaches under which intensive efforts are made to recruit these mothers into employment and training programs, before the more draconian step is taken of enacting legislation to terminate their benefits if they wish to care for their young children.

2. Easing the Transition from Welfare to Work

An important step the Congress could take would be to ease the transition from welfare to work by continuing Medicaid coverage for a period such as a year or two for AFDC mothers who leave the welfare rolls to take a job that does not provide health care coverage. The recent GAO report on work-and-welfare notes that lack of health care coverage can be a serious barrier to placing AFDC mothers in jobs and can also encourage a return to welfare rolls from a job that fails to provide health benefits.* (A similar Medicaid extension could be explored for families leaving AFDC due to increased receipt of child support payments, so that identification of an absent father and collection of support do not suddenly become a disadvantage for a mother and her children through loss of health care coverage.)

Improvements in federal support for child care services are also essential. One approach would be to ease the transition from welfare to work by providing access to day care, at fees based on the family's ability to pay, for a specified period of time after an AFDC mother begins employment. The GAO found that lack of affordable day care limits job placement of AFDC recipients and also results in a return to welfare in some cases where child care arrangements break down. The GAO concluded that "continued assistance with child care and health care can increase [job] placements [of welfare mothers] and lengthen job retention, increasing [work-and-welfare] program effectiveness."

3. Improving Incentives to Work

As part of an integrated strategy to promote work and self sufficiency, changes to strengthen the rewards and incentives for working should also be made. One such modest change concerns the reduction of AFDC benefits when a welfare recipient works and receives an earned income tax credit (EITC).

The earned income tax credit, broadened by last year's tax reform act, is designed, in part, to offset some of the Social Security payroll tax burden for low income working families with children. Yet one group of working poor families is effectively denied the EITC and provided no offset for payroll taxes: working families who receive AFDC.

After the fourth month on the job, AFDC benefits are reduced one dollar for each dollar a family receives in the earned income tax credit. The credit thus has virtually no value for AFDC families, and its intended work incentive effects are lost.

Moreover, since AFDC benefits are reduced a dollar for each dollar in earnings as well, the net effect can be to impose an effective marginal tax rate of more than 100 percent on AFDC mothers who work. For each additional dollar they earn, their welfare benefits drop a dollar -- while their payroll taxes increase without any EITC to offset them. The result can be a net loss in income as earnings rise.

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*Concern over this problem has been raised by liberal and conservative analysts alike. In their forthcoming book on welfare reform, Stuart Butler and Anna Kondratas of the Heritage Foundation observe that "leaving welfare for a low-paying job generally means losing Medicaid, having to pay for child care and transportation, and paying taxes. The way the system works, in many cases, makes it irrational for many women to go off welfare."

Not counting the earned income tax credit against AFDC benefits would ease this situation and bring the marginal tax rate below 100 percent. It would also increase the income gains realized by working, thereby making AFDC mothers who work somewhat better off than those who do not.

The treatment of the earned income tax credit is also problematic in the food stamp program. Here, the earned income tax credit is disregarded if it is received in a lump sum after the end of the year (which is how most families receive it). But if the family elects to receive the EITC throughout the year as part of its regular paychecks, then the EITC is counted as income and food stamp benefits are reduced. This encourages families to take the credit in a lump amount at the end of the year. Yet some families may be better served if they receive the credit throughout the year and are able to apply it to basic household expenses as these expenses are incurred. Moreover, the work incentive effects of the EITC may well be stronger if it is reflected in regular paychecks and boosts workers' take-home pay.

Not counting the EITC in federally-aided public assistance programs would straighten out these distorted incentives (the EITC would continue to be counted against the programs' resource limits). The cost would be extremely modest, about $5 million a year.

I would urge that the Subcommittee also consider modifications in the basic AFDC provisions that require benefits to be reduced a full dollar for each dollar earned, after the fourth month on the job. In research published last year, Robert Moffitt of Brown University found that the earlier studies on the work incentive impacts of the 1981 OBRA changes stopped too soon, tracking the work behavior of AFDC recipients only through 1982 or the first few months of 1983. Reductions in work effort did not begin to show up until later, in 1983 and 1984, Moffitt found. He concluded that "the weight of the evidence...implies that higher transfer-program tax rates such as those resulting from OBRA [the Omnibus Budget Reconciliation Act of 1981] will reduce work effort among the female-headed population, and that lower tax rates would increase it."

Moreover, there is a basic equity question here: is it reasonable to have a top marginal tax rate in the income tax structure of 28 percent for very wealthy individuals, while imposing an effective marginal tax rate of close to 100 percent on poor working welfare mothers? Congress would do well to take another look at this issue and to consider changes in this area that would reduce the marginal tax rate on working AFDC mothers. Such changes could be designed in a way to simplify administration of the AFDC program at the same time (so that the earned income disregard would not change three times during a mother's first 13 months on a job).

Finally, I would hope that the Subcommittee would consider modifications in current rules that discourage work among poor two-parent families receiving AFDC. In states electing to provide AFDC benefits to two-parent families with children that are poor enough to meet AFDC income and assets tests, the family is disqualified if the parent who is the principal wage-earner (usually the father) works more than 100 hours a month. If a father increases his work hours to more than 100 hours but the family is still below the AFDC income limits, the family is cut off AFDC (and after a brief period, off Medicaid as well in many states). Yet a single-parent family with the exact same income, and another two-parent family that has the same income but works fewer hours, would continue to receive benefits.

If Congress wishes to encourage both work and family stability, it should consider dropping the rigid "100-hour" rule.

COVERAGE OF TWO-PARENT FAMILIES

In approximately half the states, two-parent families are automatically ineligible for cash assistance through AFDC, regardless of how poor the families are. In some areas, no cash assistance at all is available to poor children in such families unless the father leaves the home.

The recent pastoral letter of the Catholic bishops is sharply critical of this policy. The bishops call for federal legislation requiring that when states offer AFDC to poor single-parent families, the aid be made available to poor two-parent families as well.

Similarly, a forthcoming book by Stuart Butler and Anna Kondratas of the Heritage Foundation calls for extending AFDC to two-parent families in all states, observing that "since family stability should be a major policy goal, it would be a wise exercise in prevention for all the states to provide this assistance to help intact families in hard times, rather than restricting their assistance only to families that have already collapsed."

Even the White House task force report on welfare reform observes that the existing welfare system provides "little or no incentive for mothers and fathers to form and maintain" families and that "welfare income often increases when parents break up or never marry."

Extending cash assistance to poor, unemployed two-parent families is important for another reason as well. It is needed to help plug a gaping hole in the safety net that has widened as a result of the rather severe contraction of the unemployment insurance program. For many unemployed two-parent families today, neither unemployment insurance nor public assistance is available, leaving these families with little or no government cash support.

In 1985 and 1986, just 33 percent of the unemployed received unemployment insurance benefits in the average month, the lowest coverage rate ever recorded. Moreover, expenditures for unemployment insurance benefits were approximately 59 percent lower in 1986 than in 1976 (measured in constant dollars), while the number of unemployed persons was greater in 1986 than it had been a decade earlier. The number of jobless workers receiving no unemployment benefits each month averaged 5.5 million in 1986, nearly as many as at the trough of the recession in late 1982, when the unemployment rate hit 10.7 percent.

The erosion of unemployment insurance coverage has been greatest for the segment of the unemployed that has the highest poverty rate -- the long-term unemployed. The extended unemployment benefits program formerly provided three additional months of benefits to jobless workers in most states experiencing high rates of unemployment, but it was largely dismantled by the budget cuts enacted in 1981. Today, only three states (and Puerto Rico) may provide extended benefits. Among states not qualifying for extended benefits are West Virginia with an 11.5 percent unemployment rate, Mississippi with an 11.1 percent unemployment rate, Alabama with a 9.4 percent rate, and Texas with an 8.9 percent rate (rates are for October 1986). In these states -- as in almost all others -- unemployment benefits terminate after a maximum of 26 weeks. If a worker is still unemployed after that time and looking for a job, no further assistance is available. If the worker lives in a two-parent family in a state that excludes such families from AFDC, there may be no cash aid of any sort available from the government.

Recent studies by the Urban Institute and the Institute for Research on Poverty show how much of a toll these policies have taken. Urban Institute analyst Wayne Vroman found substantial increases in poverty rates among the long-term unemployed as a result of the reductions in unemployment insurance. "...[I]t is clear that the long-term unemployed experience very high poverty rates and that UI benefits have a substantial poverty-reducing impact," Vroman reported. "In the absence of some alternative new program, and given the particularly large amount of long-term unemployment experienced in the 1980's, it seems clear that UI benefit cutbacks have contributed to economic hardship and to occurrences of poverty in the 1980's."

Sheldon Danziger and Peter Gottschalk of the Institute for Research on Poverty examined the circumstances of workers who were employed at low wage jobs but then lost their jobs and joined the ranks of the unemployed. They found that most unemployed household heads who had previously held low wage jobs did not receive unemployment insurance benefits, and that the proportion that did receive benefits had decreased substantially in recent years. Moreover, these jobless workers and their families received little in the way of cash assistance from other programs. As a result, they were "at high risk of poverty."

In the long run, the unemployment insurance system needs to be reexamined and reformed. Such action is unlikely in the 100th Congress. However, some of the poorest two-parent, unemployed families can be assisted now and one of the more flagrant holes in the safety net can be mended if AFDC coverage is extended to unemployed two-parent families in all states.

THE WORKING POOR

Another critical area where consensus has been growing is the need to alter the thrust of public policies toward the working poor. If one of our principal goals is to help more of the poor become self-sufficient and work their way out of poverty, then incentives and disincentives placed in the path of the working poor take on added significance.

Unfortunately, the number of Americans who work but are still poor has burgeoned in recent years. The number of prime working age individuals who work full-time full-year but are still below the poverty line has grown more than 50% since 1978. There are approximately 2.5 million poor children who live in a family where a wage-earner works full-time year-round. The proportion of the poverty population that works during the year is now at an all time high.

The circumstances of the working poor demand renewed attention. Too often a parent faces a choice between a minimum wage or other low wage job that provides no health care or child care benefits and public assistance benefits which bring Medicaid coverage along with them. For many parents, including responsible parents genuinely concerned about their children, this choice is not always easy.

The Congress and the President last year took an important step to ease the burdens of the working poor when they passed the tax reform bill. But while the tax reform bill removed working poor families from the federal income tax rolls, it did not address such problems as wages that leave families far below the poverty line (and below welfare benefit levels as well, where large families are concerned) and the lack of health care coverage or affordable child care services for many of these families. I would like to comment on one proposal that I believe would be especially beneficial in dealing with this matter: adjusting the earned income tax credit by family size.

Adjust the EITC by Family Size

For a family of two today, full-time year-round work at the minimum wage will almost lift the family to the poverty line. But for a family of three with a full-time minimum wage worker, earnings fall more than $2,000 below the poverty line. For a family of four, the gap exceeds $4,000.

The poverty line is adjusted for family size. Welfare benefits are adjusted for family size as well. But wages are not adjusted by family size. As a result, trying to move families from welfare to employment creates a serious problem for large families. They may be far worse off if they work at a low wage job, and their children may be pushed deeper into poverty.

This differential treatment of large and small families is compounded by the federal tax code, even after tax reform. For small families with earnings at the poverty line, the tax reform bill eliminates their income tax burden and offsets most of their social security tax burden. But for large families with earnings at the poverty line, very little of the payroll tax burden is offset.

The reason for the differential tax treatment of large and small families is simple: it is primarily due to the lack of a family size adjustment in the earned income tax credit (EITC). Adding such a feature to the EITC would, in my view, be one of the most beneficial things

Congress could do in encouraging work and self-sufficiency. It would have the following effects:

- It would bring working poor families with several children somewhat closer to the poverty line.
- It would reduce (or possibly eliminate) the problem of having welfare benefits be more remunerative than working for larger families.
- It would provide for more equal tax treatment of larger and smaller families with children.

I would note that the concept of adjusting the EITC by family size is an area where a rather extraordinary consensus is now developing. Among those who have expressed support in recent months for such an approach are: the White House, in its task force report on families; the Heritage Foundation; AEI tax expert Eugene Steuerle, the director of tax analysis at the Treasury Department during much of the tax reform debate; Robert Reischauer of the Brookings Institution; the Children's Defense Fund; the Social Policy Task Force of the House Democratic Caucus; and several of the recent welfare reform task force reports.

BASIC SUPPORT LEVELS

Another area where I would hope Congress would consider changes involves basic benefit levels for low income families and children. In most states, AFDC benefits have fallen precipitously in real terms over the past decade and a half. In the typical state, benefits are now 33 percent lower than in 1970, after adjustment for inflation. The research of Mary Jo Bane and David Ellwood of Harvard has shown that low welfare benefit levels do not reduce out-of-wedlock births or retard the formation of female-headed households. Essentially, low benefits make families and their children poorer. Ellwood has observed that by virtue of having AFDC benefit levels that vary widely across states, the nation has effectively conducted a massive experiment to determine whether low benefit levels produce social gains. The experiment, he concludes, has failed -- low benefits do not produce social gains, but do result in greater hardship for the families involved.

In recent months, interest has been rekindled in some quarters in establishing a minimum federal benefit level for AFDC. A minimum benefit level could boost the incomes and well-being of some of the poorest children in the United States.

If approval of minimum benefit levels does not prove possible this year, a few modest alternatives could be considered. For example, proposals could be considered to provide financial incentives for states to keep benefits from falling as far behind inflation as they have over the past decade and a half. This could at least help to keep benefits from eroding even further. In addition, low payment states could be allowed or required to apply more generous earned income disregards (rather than to continue reducing benefits a full dollar for each dollar earned); while this would not raise benefits to families with no other income, it would at least ease the current situation in which working poor families with incomes below half of the poverty line are ineligible for benefits (and Medicaid) in some of these states.*

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*The most severe problem with low benefit levels is actually found not in any of the states, but in the Commonwealth of Puerto Rico. Puerto Rico has no SSI program, and its AFDC program differs from that in the 50 states. This is because Congress has placed Puerto Rico under a ceiling that provides a single fixed amount of federal funds for benefits both to poor families with children and to the aged, blind, and disabled poor.

[Footnote continued on next page]

THE WHITE HOUSE PROPOSALS

Finally, I would like to address the White House welfare reform proposals. The White House proposals call for state experimentation in the low income program area. Certainly constructive demonstration projects can help us learn how to improve the welfare system.

Yet the White House proposal turns out, upon close examination, to call not for a reasonable number of carefully designed, carefully evaluated demonstrations, but rather for hundreds of situations in which states and localities are authorized to go their own way and alter basic federal assistance programs as we know them today. The White House report appears to envision legislation that would confer on the White House sweeping authority to waive virtually any current federal requirement in any low income program and to approve a plethora of state and local deviations. Moreover, the criteria that would be used to guide Administration decisions to approve or deny such waivers, as set forth in the bill, seems to reflect long-standing White House ideological conceptions of how the low income system should be altered. For example, the Administration's bill establishes as a "policy goal," in assessing which demonstration proposals to approve, that determinations of need for assistance should be "individualized" through "local decisions" to the extent possible. Not only are federal benefit standards considered inappropriate; even state benefit standards seem to be frowned upon.

In short, I fear that the White House proposal, as now designed, may be less a plan to conduct a manageable number of experiments from which lessons can be drawn than an effort to create so much diversity in so many areas that federal standards in low income programs begin to erode.

This strategy appears particularly clear with regard to federal low income entitlement programs, such as food stamps, AFDC, SSI, and Medicaid. This bill provides that demonstrations projects involving changes in these low income entitlement programs must be designed in such a way that the entitlements are turned into block grants.

[Footnote continued from previous page]

This ceiling, now $72 million a year, was last adjusted nearly a decade ago, in 1978. Since then, inflation has increased 68 percent, while the ceiling has remained frozen.

The House of Representatives made three separate efforts to address this problem in the 1970's, thrice passing legislation to extend SSI to Puerto Rico. The legislation was opposed by the Senate Finance Committee chairman, however, and died in conference each time.

In April 1986, the average monthly benefit for the elderly and disabled poor was $36 a month in Puerto Rico, far below the average SSI payment level of $239. Similarly, the maximum AFDC payment for a family of three with no other income was $90 a month in Puerto Rico in January 1986, compared to $346 a month in the median state, $171 a month in the Virgin Islands, and $118 a month in Alabama, the state with the lowest benefit levels.

While payments are lower in Puerto Rico, need is not less severe. Puerto Rico suffers from levels of poverty and unemployment that far exceed those in the 50 states. The unemployment rate in Puerto Rico ranged from 17 to 20 percent in 1986.

One action Congress could take would be to extend the SSI program to Puerto Rico. In its last attempt to do so in 1977, the House passed legislation that would have established an SSI program on the island, with lower benefit levels than in the 50 states. Such an approach could be explored again. Alternatively, if this is not feasible, the ceiling on federal payments for poor families and elderly and disabled people in Puerto Rico could be raised to help offset the severe loss due to inflation in recent years.

Under an entitlement, a household that is poor enough to meet a program's eligibility requirements is entitled to assistance. The entitlement is honored even if a state enters a recession, when need increases (and program costs rise) as a consequence.

Under a block grant program, by contrast, a state receives a fixed allotment of funds for the year; the funds do not increase if need grows. Poor families in the state are no longer entitled to benefits, despite their poverty. The block grant structure is ill-suited to delivering needs-based benefits, particularly during periods of economic downturn. When states experience recession, the number of households in need rises while state revenues contract. Yet while the number of those in need rises, the amount of funds provided to the state is fixed under a block grant.

In such a situation, benefit cuts or denial of aid to some of the newly poor and newly unemployed becomes likely. In addition, the countercyclical features of means-tested federal entitlements -- namely, that more federal funds are infused into the state economy when the economy sours and need increases, while federal funds are reduced when need shrinks and the state's economy rebounds -- are lost when block grants are used to provide the benefits.

Broadened authority for demonstration projects should thus be carefully constructed by the Congress. Waiver authority already exists in laws governing AFDC and many other low income programs. In expanding the executive branch's demonstration authority, Congress should ensure that the number of newly authorized pilot projects is kept at a manageable level, with such projects subject to careful evaluations from which useful lessons can be learned.

Moreover, in most circumstances where pilot projects are designed that involve benefit structures in entitlement programs such as AFDC, SSI, Medicaid, or food stamps, the entitlement nature of these programs should be maintained. In virtually all demonstration projects conducted in these programs in recent years (including food stamp workfare demonstrations, job search pilot projects, demonstrations testing the revamping of food stamp benefit rules to accord more closely with AFDC and Medicaid rules, and a number of other projects) the entitlement structure has been consistently maintained.

I also have a concern regarding the possible cash-out of food stamp benefits that would likely occur under a number of the demonstration projects. Under the federal Food Stamp Act, food stamps may not be counted as income in determining eligibility and benefit levels under federal, state, or local programs. If food stamps are cashed out, it is essential that this protection be maintained, and that some portion of a combined cash payment be identified as representing a food stamp cash out level (this can be done in a standardized fashion, so that food stamp benefit levels need not be individually determined).

If this is not done, then in many demonstration areas, AFDC families living in public or subsidized housing will suddenly find their rents increased very susbstantially. Some families may be made ineligible for other benefits or services as well.

Finally, if Congress authorizes demonstration projects, the scope of the demonstrations -- i.e., which federal programs can be covered -- should be carefully defined and limited. The White House proposal has such an inclusive definition that programs ranging from veterans pensions to Head Start to Pell grants, legal services, Job Corps, and the WIC program would appear to be included. Nearly 100 separate federal programs, many of them quite unrelated to welfare, seem to be covered under the demonstration authority as sought by the White House.

Mr. **Pease**. Thank you very much, Mr. Greenstein.
Next we will turn to Susan Rees.

STATEMENT OF SUSAN REES, EXECUTIVE DIRECTOR, COALITION ON HUMAN NEEDS

Ms. **Rees**. Thank you. Mr. Chairman, I am Susan Rees, director of the Coalition on Human Needs. I would like to introduce Gary Itzkowitz, who is on our staff and is with me in case you have any questions on the survey that we have been conducting of low-income people.

The Coalition was formed in 1981 of over 100 organizations at the national level that are very concerned about the needs of low-income people and minorities. We also have in our network grassroots groups, many of them consisting of low-income people themselves.

I want to thank you for the opportunity to testify today and we do have great appreciation, Mr. Ford, for the leadership that you have taken and for your steadfast support of extending AFDC UP to all States.

We hope that this committee in its efforts to revamp the welfare system will have as its overriding goal the reduction of poverty. Too often, many who are advocating welfare reform today seem to have as their central focus the reduction of the welfare rolls, and that in and of itself is not going to improve the economic circumstances of people in poverty. As I have said, the Coalition's testimony is based on a survey that we are conducting, with support from the Ford Foundation. It is also based on discussions that we have had with the working group of 25 policy groups here in Washington who have been discussing the same issues that this committee is considering.

The Ford-supported survey enables us to convey the views of 200 persons with incomes, with just a few exceptions, 125 percent below the poverty line. In-depth interviews, averaging 2 hours in length, were conducted with 50 low-income persons in Washington, D.C., this past summer. Another 150 interviews are just being completed now in San Antonio, Aliquippa, Pa., and three rural counties in northeastern North Carolina. The final analysis and report will be available in late April, and we will make sure that the members of the committee have that report.

For many reasons, which we will outline, our working group believes that employment/training cannot provide the total solution.

First, it is important to remember that our system of public assistance is far from reaching all of those in poverty now. If you look only at poor families with children, only about half of them are receiving AFDC. Furthermore, 2 million, or 22 percent of those eligible to receive AFDC, do not receive it.

Some, obviously, do not apply. They may think they are not qualified or they may have been told informally that they don't qualify. The bureaucracy, we have found in our interviews, keeps many from applying.

I personally interviewed a woman in Washington this summer who had no income from any source and two children to support. Yet, she had not applied for food stamps yet, and had only recently applied for AFDC. She was in a training program and had been unemployed for several months.

She said that the reason that she had delayed applying for benefits was that to do so she would have to find an entire day that she could take off and find a neighbor or friend to take her to the Montgomery County welfare office. She would have to make special arrangements to have her children cared for during the hours that she would have to spend there, and she knew that she would need additional documentation and it would require other trips.

This was not an uncommon experience to people that we interviewed who had applied for AFDC and food stamp benefits. In fact, we got the impression at times that it is a full-time job just to apply for and maintain your eligibility for welfare.

Our policies have already made it very difficult for people in need to qualify and maintain that needed support. Erecting any additional hurdles in this round of welfare reform would really be intolerable. If anything, we need to consider streamlining the system and reducing the amount of documentation required.

Although some don't apply, most of the poor not receiving AFDC do not qualify under State-determined policies. For example, a seven-member Hispanic family that we interviewed in Texas could not begin to qualify for AFDC simply because of the father's presence. Food stamps of $304 a month was that family's only income, now that his unemployment benefits had run out. This is 22 percent of the poverty line for a seven-member family, and these two parents and their five children were living in a two-room house with no doors and no plumbing.

For those who do manage to qualify for AFDC, the benefits simply do not go far enough. Time and again in our interviews in Washington we were told by recipients that AFDC and food stamps last only 2 or 3 weeks out of a month, but people said that they would not be able to survive without them.

A white mother of two is living at 74 percent of the poverty line on AFDC and food stamps in Aliquippa. She pays $225 of her $357 AFDC benefits to rent a trailer. When interviewed, she had winter clothing for her two children, but only jeans and a T-shirt for herself. The youngest child has a severe respiratory problem which requires constant monitoring through the night and frequent emergency trips to the hospital. Medicaid would not pay for a breathing monitor, which would cost $5,000, or $225 a month to rent.

The Coalition believes that this year Congress should take the first steps towards achieving in the foreseeable future combined AFDC and food stamp benefit that would be nationwide, reaching 100 percent of poverty.

We also believe, as you do, Mr. Chairman, that AFDC UP must be mandated in all States so that children in two-parent families are not discriminated against simply because of the State they live in.

Now, to turn our attention to the topic that today is considered "the" issue of welfare reform; namely, work. The great majority of people we interviewed believe that a good job ultimately was the only way out of their current economic straits. Yet, employment and training in and of themselves are not going to be the solution for everyone. First, many are seriously hampered in their ability to work due to their own disability or the care needed by a family member.

We purposely interviewed 10 disabled persons in Washington, only to find that, in addition, nearly the entire sample had someone else in the household, especially children and spouses, who were disabled, impaired, or seriously ill.

Second, we think it is important to recognize that nurturing children is a valuable activity, possibly the most important in our society. Much has been made of the extent to which middle-class mothers have entered the work force, but significant numbers have not. Thirty percent with children age 6 to 17, for example, are not working outside the home. Many of those who do work outside the home have a husband with whom they share responsibility for caring for the children. A great majority, 71 percent, work less than full-time.

Given the reality of low wages and inadequate child care, many low-income mothers choose not to work, rather than jeopardize the safety of their children. Others know that their earnings would not even come close to the cost of substitute parenting.

The challenge to the community is to find the best way to make real jobs a possibility for all those who want to work. At the same time, we must be careful not to promise more than we can deliver, because many of these people have been through many programs, federally funded Government programs, they thought would lead to a job and did not. Neither work nor training would be a new experience to the people we have interviewed. In Washington, everyone had worked at some point in their lives, and about half were still working. But all were still poor.

At least in Washington and in Pennsylvania the training that many had received was often inadequate and sometimes incompetent. One such case was that of a black couple in their thirties, with four children. She has epilepsy and he has sickle-cell anemia. The wife made many sacrifices, bought an expensive medical dictionary and attended classes through the snow, while pregnant, to learn to become a medical transcriber. Such a job would have significantly raised her income, but the course was cancelled before she could complete it.

She then took a typing course and got a job as a typist and was soon fired because she had too many typing errors. Finally, she went back on AFDC just so she could qualify for additional training. Now she does have a job, at $150 a week, or about 60 percent of the poverty line for her family.

Her husband is unemployed because his condition prevents him from doing strenuous work. He went through extensive training to become a driver of tractor trailer rigs. Only after the training was completed did he learn he needed to pass his physical exam as well, and his medical condition prevented him from doing that. He feels very strongly that he should have been informed before entering the course that he would have to do that in order to drive these trucks.

Then he went into an architectural drafting course, and he had one year of basic training in that, but he has found that he cannot even get an entry-level job because he cannot receive additional training. The job center that was helping him would not approve an additional year of training.

Besides lack of training and education, the people we interviewed most frequently mentioned the lack of appropriate child care and the loss of Medicaid coverage as their main obstacles to work outside the home. Child care not only must be available for infants and children after school, but those who need attention to special health problems. Anyone with children is reluctant to lose the primary health care services that Medicaid provides. By taking a job that doesn't have hospitalization or major medical insurance, the risk is even greater for those families which already have medical problems established.

People are also extremely reluctant to take the risk of a minimum-wage type job which offers little flexibility in hours, a necessity with people who have very young children, and that offer little opportunity to learn and advance.

Certainly workfare, working off your benefits, does not offer the kind of jobs that these people aspire to. One woman told us, "I wouldn't be any better off than I am now. I would still be on welfare." Since they do not lead to true independence from the system, such work relief approaches should be firmly rejected.

To be fair to all those who want and need jobs, as well as those who believe they can't and shouldn't be away from home, we believe that you should start with a welfare-work system which is open to all who wish to enter it, but compulsory for none. Our experience with JTPA has made us all very wary of creaming. However, our experience in our survey makes it almost impossible for us to predict who really would become long-term dependents. Almost everyone we interviewed had at least one of the characteristics that are typical of those who become long-term dependents on the welfare system.

Those who move into paid work should have available to them a full menu of education, training, and support services. Assessments must come at the beginning from a qualified person who knows the community's education and training system and the local job market. From what several interviewees told us about the treatment they receive from welfare workers, they would be the last ones I would choose to deliver such a sensitive personal service.

Finally, any Federal legislation should set up performance standards based on quality rather than the number of placements. Even with a perfect training system for all AFDC and even potential AFDC recipients, in most places there are not enough jobs available that pay enough or provide the benefits necessary to support a family and assure the availability of health care. Ultimately, the situation calls for broad economic measures which are beyond the scope of this hearing.

It is, however, within the jurisdiction of this committee to devise provisions that will relieve the economic barriers faced by AFDC recipients moving into low-wage employment. Specifically, this can be accomplished by extending Medicaid, liberalizing AFDC earned-income disregards and deductions, removing the 100-hour rule for two-parent working families, providing child care allowances for those in training and education, and modifying the EITC to assist families earning wages less than the poverty line.

Mr. Chairman, I want to thank you again for the opportunity to comment on this complex, but most important, of issues. The Coalition would urge you to move ahead so that this year we can accomplish as much as we possibly can for poor families and at the same time set a clear agenda for the unfinished business which will undoubtedly remain. As I said, we will be happy to supply our final report of our survey and we stand willing to work with the subcommittee and the full committee in the months ahead.

[The prepared statement follows:]

PRESENTED BY

SUSAN REES
EXECUTIVE DIRECTOR
COALITION ON HUMAN NEEDS

Mr. Chairman, I am Susan Rees, executive director of the Coalition on Human Needs, an alliance of over 100 national organizations here in Washington and hundreds of grass-roots groups around the country. The Coalition was formed in 1981 by groups concerned about federal policies affecting the poor, minorities, women, children, disabled persons and the elderly.

I want to thank you, Mr. Chairman, for the opportunity to testify today. We have great appreciation for the leadership you have displayed in convening these and earlier hearings, in the directions set by the bill you introduced last year and your steadfastness in supporting assistance to two-parent families.

The Coalition firmly believes in the high priority given by you and others this year to welfare reform. We sincerely hope that as much as possible can be done in this session of Congress to reform the system and enable many to escape into paid employment that better meets their family's needs.

The Coalition is specifically concerned about the following issues:

- Welfare recipients now face significant obstacles in qualifying for and maintaining the assistance they need. Extreme care must be taken to avoid erecting new bureaucratic hurdles that offer no real assistance.
- A combined AFDC-Food Stamp national benefit standard of at 100 percent of poverty should be achieved within the foreseeable future, with the first steps taken this year.
- Real jobs, with decent wages and benefits, are a critical factor in the welfare reform equation.
- Most welfare recipients want desperately to work at decent jobs. We should do everything we can to help them and be careful not to promise more than we can deliver.
- Fairness to the many who want to work outside the home and to those who can't requires a welfare-work system which is open to all who wish to enter it but compulsory for no one.
- A full range of support services must be in place and applied carefully on an individual basis.
- Intake assessments must be conducted by highly qualified personnel with intimate knowledge of the local education and training system and employment opportunities.
- The federal government must provide transitional income and health care assistance that is not based on time limitations but on economic need.

In your efforts to revamp the welfare system, Mr. Chairman, we hope you will keep as your overriding goal the reduction of poverty. We have been following the testimony before this and other committees, and believe that too often the underlying emphasis of some witnesses has been a desire to simply reduce the welfare rolls. If our aim is to reduce the extent of poverty, we must be concerned with the kinds of jobs people will get when they move off welfare as well as the level of assistance that is available to those who, for one reason or another, must depend on public assistance.

The Coalition's testimony is based on the deliberations of a working group on welfare and a survey the Coalition has conducted of low income persons under a Ford Foundation grant. The working group consists of about 25 policy experts from Coalition participating organizations and others who signed a Statement of Principles on welfare reform which received wide media attention in December. We have been meeting on a weekly basis to discuss substantive issues that the committee and its staff also have been grappling with.

The Ford-supported survey enables us to convey to you the views of 200 persons with incomes below 125 percent of poverty (most of them beneath the poverty line). In-depth interviews, averaging two hours in length, were conducted with 50 low income persons in Washington, D.C., last summer. Another 150 such interviews are now being completed in San Antonio, Alliquippa, Pa., and three rural counties in northeastern North Carolina. Although we have tried to present examples and early observations from the three final sites in our testimony, the final analysis and report will not be finished until late April.

Rather than statistical analysis, our qualitative research was designed to elicit detailed personal experiences and policy-informing ideas from persons who are past, present and potential recipients of AFDC and other low income programs. While not a random sample, those we interviewed were selected to mirror the characteristics of persons in poverty in terms of geographical location, race, sex, age and employment status. Respondents were identified and interviewed with the assistance of non-profit religious, social service and community organizations. The proportionate size of each of sub-sample was mid-way between what the Panel Study of Income Dynamics found to be the percentage that makes up the persistently poor and the poor at one time. For many reasons, which we will outline, our working group believes that employment/training cannot provide the total solution.

First, it is important to remember that our system of public assistance is far from reaching all of those in poverty. If you look only at poor families with children, you find that half are not receiving AFDC. Furthermore, two million persons, or 22 percent of those eligible for AFDC, do not receive it.

Some obviously do not apply for AFDC whether they're eligible or not. We have interviewed such people. Usually, their reason is that they think they won't qualify. Unemployed steelworkers in Pennsylvania are selling homes, cars and exhausting their savings. Although they have no income, or very little, they know they don't qualify for assistance.

The bureaucracy, which often is cruel, keeps many others from applying. I personally interviewed a woman in Washington who had no income from any source and two children to support, yet she had not applied for food stamps and was still awaiting a decision on her recent application for AFDC. She had separated from her husband a year and a half earlier, gotten a job as a receptionist and lost it after six month. Now enrolled in a training program, she said the reason she delayed applying for benefits was finding an entire day she felt she would have to spend in the Montgommery County welfare office, the difficulty in arranging for a friend to take her there and pick her up, the additional trips that would be required to gather documentation and special arrangements needed for child care.

Our policies have already made it very difficult for people in need to apply and qualify for welfare. Erecting any additional hurdles in this round of "welfare reform" would be intolerable. If anything, we need to streamline the system and reduce the documentation required.

Although some don't apply, most of the poor not receiving AFDC do not qualify under state-determined policies. As of last July, the standard of need on which AFDC eligibility is based, was below the federal poverty line for a family of three in every state. In 38 states, it was below 75 percent of the poverty line. Also, two-parent families are categorically ineligible regardless of how low their income is in the 26 states which have rejected the option of enacting the AFDC-unemployed parent program.

For example, a seven-member Hispanic family we interviewed in Texas could not begin to qualify for AFDC because of the father's presence. Food stamps of $304 per month is the family's only income now that his unemployment benefits have run out. This is 22 percent of poverty for a seven-member family. The parents and five children live in a two-room house without doors or plumbing.

For those who do manage to qualify for AFDC, the benefits simply to not go far enough. Time and again, people we interviewed in Washington used the same words to describe the level of AFDC and food stamp benefits they received: "They only last two or three weeks (of a month), but I don't know how we'd survive without them." They managed only with the help of other federally-funded services, private charity and by doubling up with large extended families.

Recipients' description of how long benefits last is borne out in statistics relating them to the official federal poverty line. In 1986, maximum AFDC benefits in 31 states and the District of Columbia were less than 50 percent of the poverty line for a family of three. Even when combined with food stamps, benefits do not reach 75 percent of the poverty line in 40 states.

A white mother of two, for example, is living at 74 percent of the poverty level on AFDC and food stamps in Alliquippa. She pays $225 of her $357 AFDC benefit to rent a trailer. When interviewed, she had winter clothing for her two children but only jeans and a T-shirt for herself. The youngest child has a severe respiratory problem which requires constant monitoring through the night and frequent emergency trips to the hospital. Medicaid would not pay for a breathing monitor, which would cost $5,000 or $225 a month to rent.

The father, a laid off steelworker, left his family in the face of the stress caused by the infant's illness and their financial pressures. The mother was fired from her janitorial job when her boss learned she was pregnant (a frequent occurrence among those we interviewed). Being fired kept her from receiving unemployment benefits. Having dropped out of tenth grade, she is trying to find a way to finish her GED. At age 22, she feels she has been discriminated against for better jobs because of her age and lack of education. She has applied for other jobs, mostly part-time work with no benefits, but has been turned down in favor of high school students who can work after school.

In addition, variation in AFDC benefits between the states is great. The median AFDC benefit for a family of three was paid by Illinois last year -- $341 per month, or $4,092 per year. This was 45 percent of a poverty level income of $760 per month for a family of three. Half the states paid less, with benefits as low as $118 in Alabama. Outside of Alaska, the highest payment of $617 (81 percent of poverty) was in California.

The wide variation in payments, the numbers of poor children who go without any assistance, and the inadequacy of current payments make it imperative that any welfare reform in the current "window of opportunity" move toward realistic standards of need and a national minimum benefit.

Specifically, the Coalition believes that this year Congress should take the first steps toward achieving, in the foreseeable future, a combined AFDC-food stamp minimum benefit of 100 percent of poverty. We also believe, as you do, Mr. Chairman, that AFDC-UP must be mandated in all states so that children in two-parent families are not discriminated against because they live in one state and not another.

We are pleased that Mr. Downey has taken this approach in the New Federalism Act which he introduced last year with Senator Evans. However, we are very concerned about the method this bill used to pay for the AFDC-UP extension and a national minimum benefit. The trade-off he has proposed would eliminate many programs which directly and indirectly assist the poor. In some cases, these are the same people assisted by AFDC, but in others, they are the poor who are not receiving public assistance.

The low income persons we interviewed were generally more satisfied with these programs that provided in-kind services -- the manner in which they were delivered and their adequacy -- than they were with benefit programs.

The federalism bill assumes that states will fund these and dozens of other programs proposed for devolution with the savings they would reap from the federal government's assumption of greater AFDC and Medicaid Costs. A second Coalition study sponsored by the Ford Foundation has found that, in the implementation of block grants, states cannot be relied on to target benefits on those who need them most. Furthermore, since most of the programs that the federalism bill would "devolve" now go through local governments, what incentive is there for states to create new state-funded programs to replace them?

Despite these concerns, we are eager to work with Mr. Downey and the rest of the committee to make the improvements in AFDC that are so badly needed. If reduction of poverty is truly a national priority, we believe the means can be found without taking away other forms of low income assistance.

Now, to turn our attention to the topic that many today consider *the* issue of welfare reform, namely work. The great majority of people we interviewed believed that a good job was ultimately the only way out of their current economic straits. Yet, employment/training cannot be considered the total solution for everyone.

First, many are seriously hampered in their ability to work due to their own disability or the care needed by another family member. We purposely interviewed 10 disabled persons in Washington, only to find that, in addition, nearly half of the entire sample had someone else in the household -- usually children or the spouse -- who was disabled, impaired or seriously ill.

Second, nurturing children is a valuable activity, possibly the most important in our society. Much has been made of the extent to which "middle class" mothers have entered the workforce. But significant numbers have *not* (49 percent of those with children under three, 46 percent with children under six, and 30 percent with children 6-17). Many of those who do work outside the home have a husband with whom they share care-taking responsibilities.

And the great majority, 71 percent, work less than full-time year-round.

Given the reality of low wages and inadequate child care, many low income mothers choose not to work rather than jeopardize the safety of their children. Others know that earnings would not even come close to the cost of substitute care.

Several of the women in our survey, especially those with large families, believe strongly that they should be home with their children. One 36-year-old mother of three, a Hispanic, is breast feeding her youngest child and says she would not consider leaving home until he is at least 2 1/2. She only finished sixth grade and stresses education with her children. "I keep telling my son, ÷Look at the way we are -- your dad and I we didn't finish school. Is that what you want?'"

Child care and health care-related issues were frequently cited by the women we interviewed in Washington as the main reasons they lost their jobs or were currently unemployed. Clearly, the absence of quality, affordable child care is one of the major impediments to the employment of AFDC mothers.

While some we interviewed couldn't, or believed they shouldn't, leave the home to work, the vast majority wanted desperately to go to work and free themselves from a welfare system that they consider inadequate and demeaning. Some who want to go out and work are disabled; have tremendous education, skill and personal deficiencies; or, in the judgment of others, might be better off staying at home.

The challenge to this and other committees, is to find the best way to make "real jobs" a reality for all of those who want to work. At the same time, we must be careful not to promise more than we can deliver because many of these people have been disillusioned time and again by government programs which they thought would lead to jobs.

As Judith Guron of MDRC wrote in a February 1987 paper, "the glass is either half full or half empty" depending on the perspective from which one views the employment and training programs that MDRC examined in five states. If you look from the point of view of those who went through the experimental programs, you find that, depending on the state, from 78 to 38 percent of the participants did not become employed during the study period. It seems plausible that those people expected to get something out of the program and were disappointed. Even in the model E.T. Choices program in Massachusettes, 74 percent of registrants did not come out with jobs in the first 20 months of the program. The number who participated in advanced education or long-term training, was not large enough to explain why so many failed to get jobs.

Neither work nor training would be a new experience to the people we have interviewed. In Washington, everyone had worked at some point in their lives and about half were still working -- but all were still poor.

At least in Washington, D.C., and Pennsylvania the training these people received was often ineffective and sometimes incompetent. In some cases the training was obtained through WIN, trade re-adjustment assistance, JTPA, the Veterans Administration or vocational rehabilitation. In others it was through a purely private arrangement between the person and a for-profit firm.

(Early analysis indicates that inadequate training is not as great a problem in San Antonio, where respondents' basic skills and English proficiency were generally so low that they could not even take advantage of training if it were available; or in rural North Carolina, where low wage jobs are the main option, even for those who have training.)

In Washington, the greatest desire was for a higher level skill training. Respondents, some of whom had been through multiple training programs, also mentioned the need for updated equipment, more hands-on experience or a sequential extension of the basics they had received in courses that were too short or too basic.

One such case was a black couple in their 30s with four children. She has epilepsy and he sickle cell anemia. The wife made sacrifices -- bought an expensive medical dictionary, attended classes through the snow while pregnant -- to learn to become a medical transcriber. Such a job would have brought a higher income but the training program was canceled before she could complete it. She then took a typing course but lost the job she obtained because of too many typing errors. Finally, she went back on AFDC in order to get more training and now has a job making $150 per week, about 60 percent of poverty for her family of six.

Her husband is now unemployed because his condition prevents him from doing tiring work. He went through extensive training to drive trailer rigs only to learn after completion that he could not get the necessary license because of his sickle cell anemia. He feels that the training program should have informed him that he would have to pass a physical before he embarked on that course. He then went into an architectural drafting course. Although he completed it and enjoys this type of work, the one-year program did not provide sufficient training for an entry level job and the VA job center denied his request for advanced training.

Similar tales of exasperation have come from our survey in Pennsylvania. Many of them, one feels, could be prevented if people got good advice and assistance at the outset and if training programs had strong job development and placement components.

Besides lack of training and education, people we interviewed most frequently mentioned the lack of appropriate child care and the loss of Medicaid coverage as the main obstacles to work outside the home. Both of these are related to the high incidence of illness and disability we found among poor families. Child care not only must be available for infants and for young children after school, but for those who need attention to special health problems. Anyone with children is reluctant to lose the primary care services funded by Medicaid to risk taking a job without major medical insurance. The risk is even greater for those families which already have medical problems.

They are also extremely reluctant to take the risk of a minimum wage-type job. Most of these employers, we are told, will not tolerate absences or tardiness related to childhood emergencies. The small increase in pay compared to welfare benefits hardly makes the shift worthwhile, especially when the jobs teach no new skills or offer no prosepct for advancement. "What could I learn to do, flip burgers?" one mother asked us.

Certainly workfare (working off your benefits) does not offer the kind of job that people we interviewed aspire to. "I wouldn't be any better off than I am now, and I would still be on welfare," one woman told us, capturing the reaction of many. Since they do not lead to true independence from the system, such "work relief" approaches should be firmly rejected.

To be fair to all of those who want and need jobs, as well as those who believe they can't and shouldn't be away from home, we should start with a welfare-work system which is open to all who wish to enter it but compulsory for no one. Our experience with JTPA has made us all wary of "creaming," but it would be difficult to choose the "neediest" among the AFDC population.

David Ellwood's work, as recounted in the recent GAO publication, "Work and Welfare," identifies several factors characteristic of the long-term recipient (black, never married before receiving AFDC, high school drop-out, no recent work experience, entered AFDC at a very young age or when their children were younger than three). Yet, some of these factors have no impact alone but only in combination. In our survey, it seemed that everyone had at least one of these characteristics.

Those who want to move into paid work should have available to them a full menu of education, training and support services available meet their individual needs. Assessment must come at the beginning -- from a qualified person who knows the community's employment and training system and the local job market. (From what interviewees told us about the treatment they receive from welfare caseworkers, these would not seem to be the ones to make such assessments. Several accused them of purposefully withholding information about resources for jobs and training. Lack of sensitivity on a broader scale has been pervasive in each interview site.)

Finally, any federal legislation should set out performance standards based on the quality, not the number of placements. The degree of net income gain would be one such measure. Furthermore, because service needs are so great among the AFDC population, it would be a mistake to reward states on the basis of achieving placements at low cost. This only encourages creaming, or serving the easiest to serve.

Even with a perfect training system for all AFDC (and potential) recipients, in most places there are not enough jobs available that pay enough or provide the benefits necessary to support a family and assure the availability health care. Ultimately, this situation calls for broad economic measures which are beyond the scope of this hearing. I would say, however, that many of our survey respondents identified macro-economic intervention as the main thing that government could do to help them out their family's financial plight. This has been especially true in the small town outside Pittsburgh, where steelworkers affected by the closing of the massive LTV mill feel that they are already highly skilled, productive workers who simply need a job compatible with their skills. Many have been through re-training, for example to become an automechanic, but cannot even find those kinds of jobs in their ravaged local economy. In San Antonio, the problem seems to be the dominance of low-paying employment in the service sector.

It is, however, within the scope of this committee to devise provisions that will alleviate the economic barriers faced by AFDC recipients moving into low-level employment. And, through the Earned Income Tax Credit, the very low wages of both AFDC recipients and other poor families could be supplemented to at least ensure a level of income equal to 100 percent of poverty.

Specifically, we would urge you to remove the 100-hour rule in AFDC so that two-parent families who work more than 2 1/2 weeks a month, but still have incomes low enough to qualify for AFDC, can receive a small AFDC payment and still remain eligible for Medicaid. Secondly, the AFDC system of disregards should be liberalized so that poor families can keep more of their earnings. Child care and work expense deductions should be indexed so that they reflect the actual costs faced by working families, and child care allowances should be provided for AFDC parents in training and education programs.

Transitional assistance, in the Coalition's view, should not be provided on an arbitrary time-limited basis but on the basis of economic need. This would call for the elimination of the provision terminating the current four-month limit on AFDC earned income disregards. It would also suggest the extension of Medicaid benefits to those who have jobs with no health insurance and insufficient income to purchase their own.

Mr. Chairman, I want to thank you again for the opportunity to comment on this complex, but most important issue. Members of the Coalition want to encourage you to move ahead so that this year we can accomplish as much as we can for poor families and set a clear agenda for the unfinished business which, for fiscal reasons, will no doubt remain. We will supply our final survey report to the committee and stand ready to work with you in the months ahead.

Mr. **Pease**. Thank you very much, Ms. Rees. We appreciate your testimony.

Mr. Ford?

Chairman **Ford**. Thank you, Mr. Chairman.

A couple of questions. We're talking about AFDC–UP here in the House, and we've had it in conference for the last two or three sessions of the Congress. You both have testified that we should remove the 100-hour work disregard for the recipients.

Limiting work to 100 hours per month has not worked. I guess that would come to about 2, 2½ weeks per month. I don't know what the cost would be if we removed the 100-hour requirement. I believe that staff can provide that information to us.

But we were talking about maybe, I think the revenue on the bases AFDC–UP mandate is about $370 million over a 2-year period. The repeal of the 100-hour rule would increase costs further.

Do you have any information as to what might be the costs and whether or not we should move it in this welfare reform package? I am a firm believer that helping intact families, promoting family stability is what we ought to be drafting in this welfare reform package. But it has been difficult for us in the Congress to get it passed.

Mr. Greenstein?

Mr. **Greenstein**. Mr. Chairman, I do not have in hand the cost figures on that. But I have several observations. I think what you are referring to, if I understand it, is that it has been politically difficult to get the basic UP mandated. We don't want to do anything that is going to lessen the chances, politically, of that happening.

There are two thoughts. One is, there are two ways to do the 100-hour rule, and I don't know the cost figures. But if the cost figures are too high, one way that could limit the cost figures somewhat is to retain the 100-hour rule at initial eligibility and to then eliminate the 100-rule only once people are already on the program; if they then begin to work and their work goes above 100 hours, not to terminate them. That would be less costly than eliminating the 100-hour rule, both at initial eligibility as well as after that.

Chairman **Ford**. What do you mean? You wouldn't terminate them after the 100 hours?

Mr. **Greenstein**. In other words, you could retain a requirement that they would not qualify in the first place if they were already working more than 100 hours, but if they were not and they qualified for the program, you would remove the work disincentive if you came on when you were unemployed and you——

Chairman **Ford**. Would they retain their eligibility?

Mr. **Greenstein**. You could. I am saying that wouldn't be as good as eliminating it both for eligibility and for benefits, but it would be less costly and it would remove the one piece that is the greater work disincentive. The greater work disincentive is that once people are already on the program, there is a disincentive to increase those hours of work above 100. You could do that while retaining the 100-hour rule in terms of who qualified to get on in the first place. That would reduce the cost somewhat.

A second thought I have is—I don't know what the committee's plan is—in terms of whether to include the unemployed-parent mandate as part of an overall welfare reform bill or possibly whether to do it separately, for example, in a reconciliation bill as in past years.

If you were to do that, it would be my thought that it might make more sense politically, and in some ways substantively, to proceed with the mandate as you did in past years that did not include the change in the 100-hour rule if that were to be done as a separate piece of legislation. And then, if you had a welfare reform bill the core of which was in some ways the issue of work—with work-and-welfare programs, earned-income disregards, health care and child care—it would be very appropriate to have the easing of the 100-hour rule in that work package because it is fundamentally a disincentive for people on the program to increase their earnings over 100 hours.

Chairman Ford. Well, it's not clear whether we're going to include it in the welfare reform package or place it in the reconciliation bill. Whichever way we can gain the type of support that will be needed to pass it, hopefully, we will put it in this package or the other package.

But you used in your testimony, I guess from your samplings, a family out of Texas. You talked about a family of three, I think, three children and a husband and a wife received only whatever it was.

Ms. Rees. A family of six or seven, actually.

Chairman Ford. Right. The Hispanic family you talked about. And Texas is one of those States, like my own State of Tennessee, that does not encourage family stability. Two-parent families are not eligible. I think it is a clear example in your testimony today of how families are in fact denied the subsistence they need from the welfare system. Hopefully, we can correct this.

I don't know whether we should include it in the welfare reform package or not. I am talking with and meeting with the leadership in the Congress, and hopefully we can move it separately. But I am interested me in this testimony today as to whether we should look at the 100-rule and really bring on a pro-family unemployed-parent or pro-family provision within the welfare system.

Ms. Rees. I don't have the cost figures on that either, but I would agree with Bob that if we could at least make some partial step—and that was really the thrust of my testimony—in all of these areas. If we can begin this year to set the goals for the eventual elimination of the 100-hour rule, but do it in the way that Bob suggested, or in some other way that would cost less the first year, it would be very important.

Chairman Ford. The study that you all conducted, sponsored by the Ford Foundation, can you tell me—you said there were 200 participants or families—how many were coming from the southern States? I am trying to see if we can get some of the information provided to the committee so that when we are moving the unemployed-parent provision through the Congress, that maybe the chair of the subcommittee would be privy to some of this information.

Ms. Rees. We have 50 from each of our locations, so there are 50 people in Texas and 50 in North Carolina, and then 50 from Washington, D.C., and 50 from Pennsylvania.

Chairman Ford. Do you have a copy of that?

Ms. Rees. Of the report?

Chairman Ford. Of the report.

Ms. Rees. We have the analysis of the Washington, DC, sample, which I believe your staff has.

Chairman Ford. What about the one out of Texas?

Ms. Rees. Those interviews are just being completed, and we need yet to write the final report. It will be finished in April.

Chairman Ford. Would you provide the subcommittee a copy of that?

Ms. Rees. We would be happy to do that.

[The information follows:]

COALITION ON HUMAN NEEDS

June 8, 1987

The Honorable Harold Ford
Chairman, Subcommittee on Public
Assistance and Unemployment
Compensation
Ways and Means Committee
U.S. House of Representatives

Dear Mr. Ford,

In response to your question about our survey of low income persons at the March 6, 1987, hearing on welfare reform, I am sending the enclosed copies of highlights of individual interviews conducted in in San Antonio, Texas, Aliquippa, Pennsylvania, and rural northeastern North Carolina. These were written by the interviewers who conducted the interviews. I apologize for being unable to send you a copy yet of the final report, as it is still in the process of final drafting. You can be sure you will receive it as soon as it is finished.

Once again, thank you for allowing our testimony and for your concern about the needs of low income persons.

Sincerely,

Susan Rees
Executive Director

1000 Wisconsin Avenue, N.W., Washington, D.C. 20007 (202) 342-0726

FORMERLY THE COALITION ON BLOCK GRANTS AND HUMAN NEEDS

19, hispanic female, 38% of poverty level #103-TX

She is married with two children. Her husband has been unemployed for five months, although he has done several odd jobs.

The family is living in public housing with an income of about $200 per month, but $0 in the month of the interview. Although their income is small, she is happy that they have an apartment of their own and do not have to live with other family members as in the past. "If it wasn't for the housing project we would be with a relative or on the street."

She dropped out of school after the eighth grade because she lacked motivation. "Maybe if I would have liked school I might have stayed." She feels her math and writing skills are not adequate to get the kind of job she wants. Despite this, she enrolled in a training program but failed to complete it for the same reason she dropped out of school. "I did not have transportation on that date, but I never called to get another appointment. I just never went back." She has never held a job. She claims that she is not now looking for a job and cites child care and transportation problems on top of educational deficiencies as reasons for her unemployment. Although she has never held a job and is not now looking for work she believes that a workfare program would have no effect on her because "you have to work for what you get."

She believes that the government could help to make her life better by helping people like her get jobs. However, she feels that a lack of education and/or training are the two main things standing in the way of a better life for her and her family. She does not seem to connect those beliefs with her lack of the self-confidence in her ability to learn.

40, Hispanic, unemployed, 36% of poverty level #133-TX

This mother of five is married to a man who is recovering from surgery. For the past nine months, he has earned $100 or less per month from odd jobs. The family receives food stamps, but does not qualify for AFDC because the agency regards the family's amount of assets as too large to go on assistance. The family owns its own house.

This woman completed the fourth grade, but received no further schooling. She believes either she or her husband needs to enter a training program to escape their current situation. She repeatedly said she would like to receive help getting more credentials, so that a lack of education does not hold them back any longer.

"There are a lot of people like us that would like to go back to school," she says. "But we don't know where to go, who to talk to, or how to do it. If the government would say, you have to go to school or get training in order to qualify for the programs,' people would do it. I know we would."

This woman credits her background for her ability to cope with the problems the family faces. "I come from a very poor family. Even though we are struggling now, it can never compare with the way I used to live. At least we have this house, and it's paid for, and we get food stamps. The house is big, but badly in need of repair."

A hopeful attitude colored some of the woman's responses. For instance, she says, 'my kids ask me, Mommy, why are we so poor? Are we always going to be this way?' I tell them to be happy that at least they are healthy."

36, hispanic female, 73% of poverty level #135-TX

This woman lives with her husband and three children. Her husband is employed at a job that is dependent on the weather -- he cannot work if the ground is wet.

She dropped out of school after the 6th grade due to a lack of motivation, however she has attended job training but was not able to apply it to a job.

Going to the food stamp office overwhelms her. "I don't like going to the food stamp office because they humiliate you and even though we qualify because [her husband] doesn't work full-time. He always goes with me because he doesn't take no for an answer and I just start crying when they treat us like nothing."

She has also been humiliated by AFDC workers. "This last time we went the worker made us feel that because of the drug problem that my husband has overcome we didn't deserve to be helped."

At present she is not interested in working because she has a one year old baby which she is breast feeding. She feels that the baby will need her until she is at least 2 years old.

She also feels a responsibility to motivate her children into staying in school. "I keep telling him, look at the way we are your dad and I, and we didn't finish school. Is that what you want? I would like to go back to school, but I don't know how."

24, hispanic male, unemployed, 27% of poverty level #146-TX

This man lives in a rather new housing project with his wife and daughter, after being on a waiting list for two years. He has been unemployed for three months. The reason he left his job is that co-workers were into drug dealing and he didn't want to be a part of it.

He has a 12th grade education and feels he gained the basic skills in education.

He has participated in training and learned to be an auto-mechanic. He felt he received good training but did not receive a set of tools as promised upon completion of the program. He feels this more than anything has hampered in his job search as most places he has interviewed expect you to bring tools to the job. He has a great deal of self-confidence in his ability and feels all he needs is a break. He would like to prove himself within some big company.

At present, his family's only income is $214 per month in food stamps. They are three months behind in paying their rent. He is grateful for the help he is receiving but is offended by the negative attitude of the social workers. However, he also understands that the help could be taken away from him as quickly as it was given.

He would feel bad about participating in a workfare program because he "would rather be working."

One aid the government could supply his family would be to extend benefits for a few months after he becomes employed so he can get on his feet. And while he believes government programs do give people help, the government "still needs to develop jobs to really help."

28, black female, employed, 57% of poverty level #203-NC

This woman is separated from her husband. She is the mother of four children and resides with her mother. She would like to move into her own home, but appreciates the help received from her mother, especially child care. She has graduated high school and completed one semester of college. She had to drop out because of pregnancy.

She felt that all the programs that she had participated in played an important role in assisting her financially. She did explain, however, that the amount provided for under AFDC and food stamps was not enough to last through the month. Inadequate as they were, they still played a vital role. "Food stamps did provide a means for putting food on the table for my children." She also praised the Medicaid program as it provided needed medical care.

She is no longer receiving any of these benefits as she has returned to work and is currently earning $4.56 per hour.

She suggests that the government establish more effective on the job training programs, although she has never participated in a training program herself. She also suggests that the government streamline the bureaucracy.

Although she already holds a full-time job, she says she wouldn't mind participating in workfare "if it didn't interfere with her regular job. However, workfare without health benefits, or did not pay at least the minimum wage was unacceptable.

She feels strongly that if she had never gotten pregnant and had finished college she would have had more opportunities. She still views college as her major goal.

40, Black, unemployed, disability, 65% of poverty level #205-NC

This divorced mother of four receives AFDC, food stamps, LIEA, SSI, and Medicaid. Until 1982, she worked in a shoe factory. At that time, a doctor determined that she had a spot on her brain and required her to stop working. She would still like to go back to school and get proper training for a good job. If a doctor judges her able to work, and she obtains assistance with child care, she would go to work.

She also has a two-year-old daughter and 27-year-old mentally retarded son living at home. She must care for both of them. A mother at 13, she later obtained a GED. She still has difficulty reading. When she was still married, her husband refused to help support the children, so she always had to work. Now, her ex-husband pays child support.

She lives in a house with no indoor plumbing. She is dissatisfied with the house for that reason. She has not applied for housing assistance. Her principal complaints about the public assistance programs she has enrolled in center on the paperwork and delays that results from a need to follow bureaucratic procedures.

She does not feel that a person should have to work off benefits or work to repay benefits. She states that public assistance should be given with "no strings attached." Because people pay taxes when they work, she believes the government should be willing to help when people really need help. She wants the government to help people get jobs. She considers herself poor because she can't seem to make ends meet -- there just is not enough money to pay her expenses.

53, black woman, unemployed, 71% of poverty   #208-NC

This woman dropped out of high school, attended night school but never quite finished her high school education. She feels her reading skills are deficient.

She had participated in a training program but could not look for a job due to illness in her family. In fact, she spends most of her time helping members of her family. She provides child care for her grandchildren and other neighborhood children while her daughter works. Her husband is totally disabled after several strokes. A veteran, he receives veteran's health benefits. At the time of the interview, he was in a VA hospital receiving treatment and therapy.

When her husband is not in the hospital, he stays at home. Often the schedule runs: One month in the hospital, one month at home. Intermittently, he receives home health care. Most of the nursing responsibilities fall to her. She had applied for Social Security Disability benefits for him, but the agency denied her application. She was turned off by this, as her husband could neither walk nor talk.

Before her husband became ill, she worked for a poor salary as a motel maid. At the time of the interview, she said she just didn't have enough money to take care of all her household needs. She hopes to get food stamps -- they "give you more to pay your bills with."

She is afraid that workfare programs would not account for family health needs and she would rather not apply for the program. It is unclear if she understood that all her benefits would be cut off.

25, black female, employed, 73% of poverty level #209-NC

This unmarried woman lives with her three children. Her mother lives next door and helps out around the house. She suffers from a disease which causes memory loss and seizures. Due to her illness her mother sat in on the interview. The respondent was able to read and comprehend easily, but need her mother to prompt her memory. She has received only an eighth grade education.

She has not been able to work for over 10 years and has never been enrolled in a training program.

She receives no income other than AFDC, food stamps, and Social Security Disability. She does not receive child support because "we did not track down the father yet."

She feels truly thankful that services are available to her. Her mother said, "it is a great blessing from God that my daughter is eligible for government aid." When asked about programs individually, she did not have a single negative comment.

She feels that she wouldn't be able to participate in a workfare program because of her illness. Her mother said that the doctors have concluded that she will never be able to work again.

She believes that government should help people who are poor attain higher skill levels and get better jobs.

When asked if she considered herself poor, she said "no, not down right poor."

40, Black, unemployed, 69% of poverty #210-NC

This woman lives in public housing with her husband and seven children. The family receives food stamps, veteran's benefits, and college grant money. Unemployed for several years, she is not currently looking for a job. She graduated from high school and trained to be a nurse for three years. She felt the training was a good program and helped to obtain a job. However, her large family needed to be cared for. Her husband works occasionally, producing inconsistent income.

She received AFDC during the time she was separated from her first husband until she remarried. She had strongly negative feelings toward AFDC and AFDC recipients. "It makes a lot of people lazy," she claimed. "They don't want to work once they get on it...A lot of times people have children just to get it."

Nevertheless, in her own case she feels that she could work, as long as she is not the only source of income in the family and that it is more important to stay home. "With a family of nine I don't need one [a job]," she comments. "I have one." She went so far as to say she would give up benefits if required work took her away from her family.

She did not give a direct answer to a question about the possibility of supporting a family with a minimum wage job. Whether a person could do that "depends on their standard of living."

She also feels it is not the responsibility of government to end her poverty, although she would like to see the government help poor people obtain jobs.

This woman seemed confident that she was doing the right thing for her family by staying home with the children. She does not feel that her family is poor.

39, black woman at 48% of poverty level #219-NC

This woman has been and is ill and near the end of her rope. For several years she has been battling cancer of the colon. She has had her large intestine removed surgically. Her mother and sister both died earlier with this disease and another sister is presently ill.

Her diet presently consists mostly of "bird seed" and showed how swollen her stomach was as evidence. She has a further health problem in her small intestine --polyps-- which is inoperable. Despite these conditions, it was recently ruled that she would be able to carry out some form of work. She was terribly upset by the ruling and felt completely depressed.

The condition of her housing is highly inadequate. Water is constantly present in the basement and the plumbing is in great disrepair.

Two years ago she received a $4,275 inheritance and saw her benefits eliminated. Since that time she has not been reinstated.

She feels that forcing people to work is a bad idea. "So many can't work. It will endanger their health. I don't think its right."

She also feels that government programs can be of great help, but that she has been discriminated against. "If I had been white, I would have already been receiving benefits for my illness."

Tears were shed through much of the interview.

41, Black, works part-time, 111% of poverty level #315-PA

This woman and her husband, a former steel mill worker, both work at part-time jobs. She makes do with minimum wage earnings from a department store. She also receives AFDC and food stamp benefits that help her raise four children.

This woman would rather work in a school. She attended a training program for teacher's aides, and worked as an aide in a high school until the school's funding for her position ran out. Pregnancy interrupted her own high school education.

She expressed a great deal of disgust with public assistance programs. Her name for welfare is "warfare." Her complaints about public assistance programs center around the difficulty of working with the administrating agencies. She described the system as one of too much red tape for too little money. She also noted unhappily that the family had to "sign over its home" to the welfare department.

This well-spoken woman does not view workfare as a fair solution. She believes that the type of work required to earn benefits could actually compensate people at a higher level than merely paying off benefits, but fears that public assistance recipients will never see wages in excess of benefits.

Public assistance has helped her family. The family receives energy assistance, medical care under Medicaid, and one son has received college loans. The woman does not see herself or any member of the family as a poor person. To her, her family is one of many involved in the struggle that is life.

"The government has a part to play," she told us, "but it is the individual's responsibility to get out of poverty." She asks that public assistance programs provide more money. She also asks the government to provide more jobs so that people in her community can find work.

27, white, unemployed, 74% of poverty level #318-PA

This single mother of two receives food stamps, general assistance, low-income energy assistance and medicaid. She has resorted to most of these public assistance programs since her husband lost his job and left her.

Unemployed for half of 1986, she had to quit her last job, as a direct care worker in a residential group home for the mentally retarded because of child care costs. Babysitters cost her $4.25 per hour and she earned only $5.75 per hour at the group home. She would like to find a new job, but has so far received only offers to work at night for low wages.

She feels she needs more training or experience to get a daytime job. After graduating from high school, she received a federal student loan to enter a hairdresser's training program. She received on-the-job training, but no preparation for the license she needs to practice that profession in her state. Currently, she is looking into other training programs. This time, she is taking her time to find out what she will receive for her investment of time and effort.

She is very angry at the public assistance agencies she has worked with. Her welfare caseworker did not seem well-informed. She lived without benefits for one and one-half months because of processing delays she considers unnecessary.

She also had a difficult experience with public housing. She objected to her building manager practice of entering her apartment without permission. She also accused the manager of stationing security guards outside her door to listen to her conversations. She eventually got on a long list for relocation.

Now she lives in a house that local authorities have condemned. The house is in terrible condition. The ceiling leaks from faulty pipes and a bad roof. The house has no storm windows. Several panes of glass in existing windows are broken and covered with plastic. Most of the faucets in the house do not work. Her husband once worked to pay off public benefits, and she would be willing to do the same if the workfare program also provided childcare and health benefits. She would change current benefit programs by giving more money to recipients. She observes that once a person is on general assistance, it is difficult to get off it. Only the government, she believes, could halt the welfare treadmill through training and education programs that lead to jobs.

22, white, unemployed, 74% of poverty #319-PA

This woman is separated from her husband, a laid-off steel mill worker, and lives with her two children and boyfriend in a trailer that the boyfriend's father owns. Her budget is so limited that she had no heavy winter clothing or coat for herself after providing for her children. She receives AFDC and food stamps, with two-thirds of the AFDC money going to pay rent.

She dropped out of high school after tenth grade because her friends were getting good jobs after dropping out. She last worked one and one-half years ago, performing custodial chores at a K-Mart. She and her husband separated soon after the mill laid him off. He still lacks work and pays no child support.

At that same time, the couple's second child was born with a variant of Sudden Infant Death Syndrome, in which the chief medical problem are spells during which the baby "forgets" to breathe. Because the spells could come at any time, the woman often stayed awake twenty-four hours each day with the baby. This made it impossible for her to work. Her estranged husband could not handle the stress resulting from the baby's condition.

Even before the SIDS baby was born, the woman's boss forced her to quit her custodial job when he learned she was pregnant. Her doctor said she could work during pregnancy, so she could not receive unemployment compensation. Doctors who treated the SIDS baby told the woman that a breathing monitor, which would have taken over breathing functions during any of the baby's spells, would cost $5000 or $225 monthly to rent. The local welfare office and hospital both turned down her requests for help in obtaining a monitor.

The woman has begun looking for a means to get her GED, as well as job training. Thus far, she feels she has suffered discrimination in applying for jobs, mostly because of her age. Some firms to which she has applied for part-time jobs without benefits have turned her down in favor of high school students who can work after school.

This woman was not well-informed about local assistance programs. She said she would be willing to work to receive benefits, as long as the workfare program also paid for a babysitter. She also said workfare workers should have the right to collect the same wages as anyone else.

As for the programs that had provided her assistance, she said she would change the eligibility rules for medical assistance. She believes government officials are voted into office to help people out of poverty, and that the government should create jobs by shutting off steel imports and reopening the mills. In general, she thought government programs should provide higher levels of assistance.

31, white, unemployed, mild disability, 66% of poverty #321-PA

This former steelworker retrained as a welder when the mill closed down. He holds a high school diploma, but says he lacks the basic skills of reading and writing. For the past five years he began working as a welder several times, only to see those jobs eliminated also. He has been unemployed for fifteen months.

This man is married and the father of two children, one of whom lives with his first wife. When he can, he pays $100 child support monthly to his first wife, who is in better financial shape than he is. He receives food stamps, general assistance and medicaid, but says that the financial assistance and food stamps run out before the end of the month. He relies on food banks, when he can find them, to tide over his family. He has seen several food banks close their doors forever because they cannot meet the community's needs.

This man has curvature of the spine, and his doctors have told him not to engage in any heavy lifting. This disqualifies him from almost any industrial job available -- firms reject him following required physicals. The welfare office has judged him ineligible for any form of disability, though, because he can work at jobs that require light lifting, and because he is a skilled welder with his own tools. The tools, he says, are rotting in his mother's basement.

He paid neither his rent nor his utility bills for several months, because workers at the Housing Authority told him that he could get into public housing only if his landlord evicted him. The waiting list was too long otherwise.

This man would like to work. He applies for more than thirty jobs each month. He feels he might be able to get work if he could get into the carpenter's union. (He is too old for the union's age requirements).

He says the only way a person could live on the minimum wage would be "if they were single, and living in a car."

He is enrolled in a workfare program. His caseworker has threatened him with a loss of all benefits because the job has caused him back strain. He was assigned to light work at a local municipal building but soon found himself moving desks and cleaning out garages. He strained his back and since Medicaid is not accepted by local back specialists he is forced to cover the expenses just to prove that he is disabled. His caseworker claims not to believe his health problem is real and has gotten into shouting matches with him over the phone and in the office.

He believes workfare takes unfair advantage of those who are helpless to change their situation. He foresees having to leave the area because industrial employment is his only option.

39, white male, unemployed, at 58.8% of poverty level #351-PA

This man has a ninth grade education and left school out of boredom. He held a series of low paying jobs before working at the steel mill in maintenance. He left that job, but used it as a calling card for other maintenance positions. He lost his last job because of a layoff.

After his unemployment ran out, he was entered into a workfare program. He became angry at the fact that others doing the same job he was were earning $7 or more an hour and were able to support a family, while he was living below poverty. He, nevertheless liked the fact that it gave him something to do and was a way to pay off benefits.

He ran into trouble with his workfare program because of his bad vision, which has not been completely corrected by surgery. His workfare employer--the local school district-- asked him to leave because he couldn't see well enough to do an adequate job. He felt lucky that they gave him a good reference saying he was a hard worker and tried. He has reapplied for more work through this program but has not found a job. As of yet, his dismissal has not lead to any reduction or elimination of benefits.

He has looked at obtaining a "real" job, but "the few that are available pay the minimum wage, have no health benefits and are just not affordable."

He feels that government programs need to be more comprehensive and higher in benefits coverage. He has not been able to buy necessities and his recent eye surgery have left him with bills not covered by his medical card. He feels these "holes" in the system "keep people poor." He also suggests carrying over benefits for one month after employment is found so "the poor can get a haircut to go to work, and have enough clothing not to be embarrassed."

He said that caseworkers are ignorant of what programs are available or don't bother to tell recipients. When his wife went into training, the family's food assistance was cut and no one mentioned that she could get money for books and transportation. By the time they found out on their own it was too late.

Interview #1 D.C.

Black female, single head of household on public assistance.

The respondent has never been married. She is the mother of five children ranging in age from 12 to 4 years. Her last employment was as a sales clerk in a department store when she was 18 years old. She is now 32. When talking about going on welfare at age 19, she said that it "bothered me because my family background was... I would not say wealthy, the income was normal. For me to make the change was a drastic change." (Q.#22)

The respondent went on to say that she had "a mental block after I had my first child. Here I was alone with one child and no support from the father. I felt I was lost. Some young mothers don't learn from their mistakes."

Her last attempt at training was at age 19 when she participated in the OIC training program. She dropped out primarily because she was pregnant, but also mentioned that the teacher moved too fast through the material and slower students like her could not keep up. She plans to register with WOW in August.

She was very thoughtful with her answers and very able to articulate her concerns about the programs. Especially AFDC and the WIN program. AFDC is inadequate for her family to live on. When asked what the best thing is about AFDC she said "nothing really." But with the situation she is in now she needs these programs and would rather be independent and have greater control of her life and her family. She receives a total of $578/month in public assistance and $258/month from food stamps. The total anuual income from the two sources is $6,952. In addition, she lives in public housing, contributing $51 to the rent on a 2 bedroom apt.(the rent is subsidized), and receives Medicaid for herself and her children.

She volunteered to participate in the WIN program. Ordinarily, the program requires that everyone register for WIN when their youngest child turns six yeas old. Yet she wanted to participate even though the youngest child is four. Unfortunately, she ran into problems with child care for her youngest child. The regulation for after school care excludes four-year-olds. The regulations for WIN would pay a babysitter in the home but not someone outside the home, and she was unable to find someone to come to her home and babysit.

She recommended that the government have a program that would teach recipients how to manage the funds from month-to-month and make sure that the money is enough for the family to live on.

My personal reaction is that even though this women is very willing to work and recognizes her need for training because of the number children and their ages, it sould be extremely difficult for her to make the transition from welfare to work without a comprehensive support system. She also did not seem to have a great deal of self-confidence, although her experience as a Headstart volunteer helped her to see that she can do some things.

Her goal is to become a pediatric nurse, or work with children.

Summary #3 D.C.

Black, two-parent family.

A great deal has happened in the 6 years since the respondent lost her job. The worst crisis came last fall when for several months she was homeless and on the street with her two children. She lived for several months at the Pitts Hotel for homeless families and was later moved to a larger temporary apartment for families. She explained how hard it was to adjust to living that way. Each day she had to carry most of her belongings with her to look for an apartment or a job. Rules at the hotel require the homeless to check out in the morning even if they would be returning the same night. She stated that she was distrustful of everyone and felt defensive. Now that she is getting her life back together some of these feelings are not as strong, but it is hard to overcome this distrustful attitude that she developed.

The reason she quit her job was that she had two children and her husband had an accident which caused serious back injury. He was in a partial body cast for several weeks. Caring for the children and dealing with the situation got to be too much so she quit. A major problem was child care for her two children. She also received complaints from her supervisor. This resulted in her being evicted from her apartment and forced her to move in with her husband's relatives, and then to live with a string of friends. In most cases when there was not enough room, her husband would be forced to live in a shelter and she and the children would stay together. During this period she relied on public assistance and food stamps.

When she tried to get her old job back she found that it had been declassified and that she would have to start all over with a lower wage. This discouraged her from going back.

She mentioned that her little boy has some physical problems, so Medicaid and hospitalization have been very important. Now that she has a job she is concerned that the her health insurance does not pay for medicine and the deductible is too high.

Although she is getting herself and her family back together now, the frustration of those months on the street are still clearly painful memories. She especially feels bad about the effect it had on her children, that she somehow let them down, that they do not understand what has been happening to them or why.

Total family income is about $5,000/year - 44% of poverty without counting sporadic earnings of husband who is a roofer. Recently, he has been paid only $3.00/hour. She says he should be making $7.00 and is underemployed.

Interview 29 D.C.

White, male, mentally ill, single, unemployed

Respondent, age 39, came from a financially well-off family but suffered emotional problems at an early age and is now diagnosed manic-depressive. He dropped out of school after 9th grade because his father demanded top honors even though his son was a high achiever. His parents split up, and he believes that he could have stayed in school if he had had counseling and a support network. In his youth and early adulthood, he was heavily involved with drugs and alcohol.

His only work experience was as an apartment building valet and doing odd jobs. At a sheltered workshop, he has learned mailroom skills and has been a jump man on a delivery truck. Now familiar with the city and Post Office, he believes he is a finalist for a mailroom job with a bank. He learned about it at a job fair for disabled persons.

He once thought he would like to be a teacher but is now happy about the prospect he has with the bank. He is well-spoken (in spite of being visibly nervous) and says he has some talent as a writer, painter and musician. He values economic independence very highly, but says he does not have a need to make a lot of money. More important, is doing work that will help others as well as provide for his basic needs.

Although he believes that people can become dependent on public assistance and sometimes abuse it, he has a strong sense of its importance as a safety net: "It allows people to have the nourishment, the food, clothing and shelter taken care of, at least to a certain degree, depending on how they budget it. It is important as a safety net between the point of oblivion where you're out in the street to where you can, if given the chance, better yourself and have some type of decent living in the future."

He was "weaned" from general assistance and food stamps and now makes $133/week in a stipend at the workshop. He feels a keen insecurity because he has had no medical coverage since losing Medicaid. "I would be a charity case if anything happened."

Programs which are most important to him are not the same as the ones he thinks the poor need generally (Social Security, Medicare, college grants/loans). What helped him might be described as a continuity of care: first, general assistance and food stamps for basic needs with Medicaid in case he needed it; then counseling and AA which helped him accept his illness and build self-confidence; and, finally, job training at the workshop. He could have used housing assistance to gain more independence but no one told him it might be available. He would improve programs by reducing bureaucracy to make it simpler to apply.

Chairman **Ford**. Thank you, Mr. Chairman.

Mr. **Pease**. Thank you, Mr. Ford.

I really think your testimony has been excellent. We are most appreciative of your depth of knowledge on this subject. You have thought about this a lot, and we appreciate your very specific recommendations.

I would like for you to comment on my general perceptions and concerns about recent efforts at welfare reform. All year long, in 1986, we awaited the administration's welfare reform proposals, and now that we have them it seems to me it's sort of like getting an empty box at Christmas. There is not much there, as far as I can see.

I think the point you made, Mr. Greenstein, about the potential danger of undertaking a great many projects is a good one. If we go into welfare reform with the idea that we are going to encourage a bunch of demonstration projects and at the end of 5 years we have so many that we can't possibly analyze them all, we are no farther ahead then than we are right now. It seems to me that if there are going to be demonstration projects, there ought to be a limited number and they ought to be focused somehow so that experiences from one area would corroborate the experience in another area and so on.

I am also concerned about the expectation of some that we should be able to do welfare reform without any cost. I think that is very much what the administration has in mind. We haven't heard from our own budget committee yet, but it is certainly not going to be easy for the Budget Committee to squeeze out very much money for us to do welfare reform.

A question I have asked before, and one I would like you now to comment on, is whether you think it is possible and worthwhile to make changes in the welfare system without spending any money.

Mr. **Greenstein**. I think it is not going to be possible to do anything significant along those lines. You know, I am struck by the fact that there is a very interesting speech that Senator Domenici gave to the Tax Foundation in New York in December, in which he called for the need to recognize that despite the budget deficit, that we have unmet domestic needs in the country, that we need to spend more money on and invest our resources in. He coupled that with the call for retrenchment in other areas—not specified in his speech—as part of essentially reordering priorities.

When he then listed the unmet needs, the areas we needed to spend more in, he listed welfare as one of those prime areas and talked about how in the country the most pressing unmet need was what he called "the seamless web of poverty, hunger, homeless, and mental illness."

It would be my hope that we could forge a consensus ultimately maybe in the Congress, bipartisan consensus—although I don't have any illusion the administration would be part of it—to reorder priorities in a combination of ways that may involve other spending, revenues, whatever, to find the resources that are needed.

If one were to put together a welfare reform bill that, for example, had an ultimate—of course, it wouldn't be in 1988—net cost of, let's say, a billion dollars a year, I mean, that's one-tenth of 1 percent of the Federal budget. Really, you know, if we can't find ways to reorder our priorities to come up with a sum like that, we are not able to make choices on many things.

This committee has done an exemplary job in the last few years, in the reconciliation bills and elsewhere, of finding ways to meet the deficit targets and begin to move in these directions, and I would hope that the committee would continue that, but in a larger fashion, to make room for what we need to do in welfare reform.

Mr. **Pease**. I point out to you that it gets more and more difficult every year for us to do much creative thinking as part of the reconciliation process. But we intend to try again this year.

Obviously, general support levels on welfare, AFDC, are too low. I think one of you cited a 33-percent erosion. I think that is a longstanding scandal in this country, and certainly as part of a proper welfare reform package you would try to bring those AFDC levels up to snuff.

Most of the constituents in my area do not have spending more money for welfare or raising welfare levels for individuals in mind when they talk about welfare reform. They are thinking about more efficiency and putting people to work and training and that sort of thing. So I am not sure there is going to be a popular demand for raising individual stipends under ADC. However, I think we ought to do that because it needs to be done, not because there is any public demand for doing it. But it is going to be expensive. Do you think it is worthwhile to go forward with other aspects of welfare reform this year if we can't deal with the subject of maintenance levels?

Ms. **Rees**. I think that the subject of maintenance levels could be addressed even if it is in terms of setting a long-range goal, making it a clear commitment and possibly making some improvements in benefit and eligibility levels as much as you possibly can get out of the budget at this time. There are other things that can be done, I suppose, that don't cost as much money, maybe even in the area of streamlining and requiring less documentation.

Mr. **Greenstein**. I might just add to that, as Susan has made the point, I think, very well, in some of these areas we can't do the whole thing but maybe we could start down the road.

There are a number of interim steps that could be taken with regard to maintenance levels. One would be to try to prevent or discourage further erosion in benefit levels in relation to inflation by altering matching rates for benefit increases from this point forward, to try to gives States more incentive to at least keep benefits up with inflation.

Another possibility would be to do something regarding earnings-disregards or something else, particularly in low-payment States, so at least the eligibility levels, if not the benefit levels, are higher and more people get Medicaid.

Another possibility the Children's Defense Fund has talked about is requiring States to at least bring their standards of need, if not the payment standards, up to date. Some States have standards of need set 10 years ago.

I guess the bottom line is if the choice were between a bill that, in addition to providing a useful, positive work-and-welfare component had health care and child care transition, mandated two-parent families, and improved the earned-income disregards so you didn't lose a dollar for each additional dollar you worked. I can't speak for Susan, but I don't think, that Susan is saying that we should forget the whole thing because it doesn't also have a minimum benefit.

Obviously, that wouldn't make sense to not take the gains that could be gotten, but I think we would hope both that the minimum benefit would be part of the debate, even if an incremental step was taken, to at least take that incremental step and to try very firmly to establish this, especially if part of what we're doing is trying to enact good welfare reform legislation and part of it is trying to lay a framework in a debate. I would hope that a new administration could build on to take bolder steps than this administration is willing to take if it comes in after 1988. If we can't enact the minimum benefit—and I understand the difficulty of doing that in this Congress—if we can at least set up the framework and the politics so that it is much more likely for a new administration to proceed in that direction, I think that would be helpful.

Mr. **Pease**. So you are already looking forward to the "Kemp Administration"?

[Laughter.]

Mr. **Greenstein**. Hopefully, there are other possibilities.

Mr. **Pease**. Well, we have to move along, but I want to thank both of you for your testimony. I was particularly glad to have you mention a couple of things; one, the erosion of unemployment insurance. That has long been an interest of mine, and it is a serious problem. The matter about adjusting the earned-income tax credit by family size is, I think, a good idea. I also appreciate your cautionary note about demonstration projects which cash out food stamps and what that does to the eligibility of people for income and so on.

Ms. Rees, I think we ought to underscore the point that you make about keeping in mind what our overriding goal is, which is not just to get people off of welfare, but rather to reduce poverty. It would be easy for us to overlook that without reminders such as yours.

I think we tend to overlook an observation such as the one you picked up from one of your interviewees about being almost a full-time job to apply to welfare, we overlook that. If we are going to require people to work, when are they going to find time to go in and maintain their eligibility and that sort of thing. We need to think through the practical consequences of any action we take.

Then, you also touched on a point which I have been particularly concerned about, and that is the treatment that welfare people get from case workers. We are thinking of building in a lot of new requirements as well as more sophisticated and more subtle counseling. Yet a lot of welfare case workers that I know are so harried that they can hardly get the papers filled out, much less think very constructively. So, somehow or other, we have to put more money into the administration of welfare and see what we can do about upgrading the people who serve there.

Thank you. We appreciate it.

Ms. **Rees**. Thank you.

Mr. **Greenstein**. Mr. Chairman, we issued a report earlier this week on the unemployment insurance erosion, which I would be happy to get to you.

Mr. **Pease**. I would like to have that. Thank you.

The next panel will be: Virginia Austin, president of the Association of Junior Leagues; and Deborah Phillips, Bush Center in Child Development and Social Policy at Yale University.

Ms. Austin, we will begin with you.

STATEMENT OF VIRGINIA T. AUSTIN, PRESIDENT, ASSOCIATION OF JUNIOR LEAGUES, INC.

Ms. **Austin**. Thank you very much, and good morning. My name is Virginia Austin. I am president of the Association of Junior Leagues and a past president of the Junior League of Oklahoma City. Currently, in my community I serve on the board of directors of the Oklahoma County Chapter of the American Red Cross, and the Mayor's Task Force for Economic Development in Oklahoma City.

I appreciate the opportunity to appear before you today on behalf of the Association of Junior Leagues and to present to you the association's views on welfare reform.

The Association of Junior Leagues, as you may know, is an international women's organization. The 258 Junior Leagues in the United States work to improve their communities through a variety of direct service and advocacy projects. The association's interest in welfare reform is consistent with its active role in assisting needy children and their families at the local, State, and Federal level, and its role as an international women's organization working to ensure women's economic progress.

Our recent advocacy efforts on behalf of children, including our legislative advocacy and involvement in such collaborative projects as Child Watch, have convinced us that more and more women and children are falling through the safety net.

Launched in 1981, Child Watch was a collaborative effort of the association and the Children's Defense Fund, designed to enable trained volunteers in local communities to document the impact of the 1981 Federal budget cuts and policy changes—how they affected women and how they affected children.

In my testimony, I will report on findings from Junior League projects that document the problems that the association believes must be addressed: first, the aid to families with dependent children, unemployed-parent program, is needed in all States; second, the lack of child care poses a major obstacle for many women who wish to accept a job or job training; third, income and child care disregard limits set by OBRA in 1981 serve as work disincentives; fourth, all poor families should have access to health care; finally, the issue of teen pregnancy must be comprehensively addressed.

Further, we believe that the public policy debates regarding the welfare system and the future of our children cannot ignore the interrelationships among the family structure, our system of education and job training, the work place, and the need for essential services such as child care and child health care.

While the majority of families on welfare today are headed by single women, it is important not to overlook the fact that a substantial number of poor families have two parents. In the 25 States without AFDC-UP, many unemployed parents, predominantly fathers, may be forced to choose between trying to keep the family together, and deserting so that their children may receive money for food and shelter and have their Medicaid coverage continued.

We believe that it is really shortsighted to support any kind of policies that encourage the family to break up, and we have certainly appreciated Chairman Ford's leadership on behalf of AFDC-UP.

An example of the League's commitment to this issue occurred just last year in Missouri, when the Junior Leagues of Kansas City, St. Joseph, and St. Louis teamed up with the Citizens for Missouri's Children, a local statewide child advocacy initiative, to successfully defeat legislation which would have eliminated Missouri's AFDC-UP program.

Any welfare reform program that requires or encourages mothers of very young children to work must address the need to provide good-quality child care. It is important to note, however, that reforms made by the 1981 OBRA curtail the supply of, as well as the access to, child care for low-income families. The impact of these changes has been documented in a number of communities by Child Watch projects. In 1983, the Junior League of Des Moines Child Watch project reported that many families in Polk County, Iowa, were negatively affected by the title XX cuts. The failure to provide child care for parents who need job training deprives many parents of the opportunity to obtain the skills necessary to become economically independent.

Because of the association's long-standing support of child health projects, we have continually supported efforts to expand Medicaid coverage for poor women and children. We are pleased that the 99th Congress provided States with the opportunity to expand Medicaid to more needy women and children.

However, the infant mortality rate in this country is a national disgrace. The Children's Defense Fund reports that the United States ties for last place among 20 industrialized nations in the rate of infant mortality. A host of studies from advocacy groups and the medical community conclude that modest investments in preventative health care can improve the well-being of mothers and of babies and can help forestall far more costly after-the-fact expenses.

The relationship between out-of-wedlock, adolescent childbearing and long-term welfare dependency is certainly well documented. In fact, while the birth rate among adolescents is declining, the percentages of teenagers bearing out-of-wedlock children is rising astronomically. Lacking skills, alarming numbers of these teenage mothers and their children have no recourse but to become dependent on welfare.

In 1984, in collaboration with a number of other national organizations, the association began the Adolescent Pregnancy Child Watch program. The findings in many sites underscore the need for educational, vocational, and child care support for those teenagers who already are parents. Such assistance is needed in order to interrupt the cycle of long-term welfare dependency, as well as to provide incentives for teenagers to delay early childbearing. Good education and job training are needed to give teenagers a vision of life free of welfare and the ability to become self-sufficient.

Finally, it is important to note that a job is no guarantee against poverty. Presently, 2 million parents work full-time, yet live in poverty. Food, clothing, health care, and shelter are fundamental needs and the benefits received by poor families must be adequate in order to provide them. Clearly, the fact that benefits are not always adequate is exemplified by the growing number of homeless families. More than 50 Junior Leagues are currently involved in projects to help the homeless and the hungry in their communities. We are pleased that just last night the House of Representatives began to address this issue with the passage of H.R. 558, the Urgent Relief Act.

It is essential that programs be developed that will provide all homeless children and families with housing and a solid economic base by providing job training, jobs, child care, and other support services to move them towards independence.

Thank you for the opportunity to testify before you today. We stand ready to work with you to achieve effective welfare reform because the majority of the association's legislative activities over the past 8 years has been related to issues that affect low-income families.

Thank you.

[The prepared statement follows:]

PRESENTED BY

VIRGINIA T. AUSTIN

PRESIDENT

THE ASSOCIATION OF JUNIOR LEAGUES

Good Morning. I am Virginia Austin, President of the Association of Junior Leagues and a past president of the Junior League of Oklahoma City. In my community, I am a founder and past president of Leadership Oklahoma City and currently chair its executive committee. I also serve as a regional director and program committee chairman for the National Conference of Christians and Jews and as a member of the board of the Oklahoma County Chapter of the American Red Cross. I also currently serve on the Mayor's Task Force on Economic Development in Oklahoma City.

I appreciate the opportunity to appear before you today on behalf of the Association of Junior Leagues to present the Association's views on welfare reform. The Association of Junior Leagues is an international organization of women committed to promoting voluntarism and to improving the community through the effective action and leadership of trained volunteers. Today, there are 258 Leagues in the United States representing approximately 165,000 members. The Association's interest in welfare reform is consistent with its active role in assisting needy children and their families at the local, state and national levels and its role as an international women's organization interested in ensuring women's economic progress.

The Association's involvement with efforts to address public policies that affect the lives of children and their families began in 1978 when delegates to the Association's Annual Conference voted to allow the Association to support legislation at the federal level related to children. The vote came as a result of a survey conducted as part of the Association's Child Advocacy Program which began in 1975 and which identified federal fiscal policies which hampered the ability of poor children and their families to attain stability and economic independence. For example, the survey results determined that federal policies existed which encouraged family break-up by making it easier to place a child in foster care than to invest in preventive programs that would help families to remain together. There also were no federal funds available to encourage adoption of children with special needs. Working with other groups, we were able to obtain passage of the Adoption Assistance and Child Welfare Act (P.L. 96-272) and maintain it against repeated attempts by the Administration to repeal it.

Our more recent advocacy efforts on behalf of children, including our legislative advocacy and involvement in such collaborative projects as Child Watch, have convinced us that more and more women and children are falling through the safety net. Launched in 1981, Child Watch was a collaborative project of the Association and the Children's Defense Fund (CDF), designed to enable trained volunteers in local communities to document the impact of the 1981 federal budget cuts and policy changes on children and their families. Child Watch projects all around the country--29 of which were coordinated by Junior Leagues--gathered data in four areas--Aid to Families With Dependent Children (AFDC), Child Health, Child Welfare, and Child Care. Overall, Child Watch projects found that the Omnibus Budget Reconciliation Act of 1981 (OBRA) had resulted in serious losses for poor children and their families.

In this testimony, I will report on findings from Junior League projects which document the problems which the Association believes must be addressed: the Aid to Families with Dependent Children-Unemployed Parent program (AFDC-UP) is needed in all states; the lack of child care poses a major obstacle for many women who wish to accept a job or job training; the income and child care disregard limits set by OBRA in 1981 serve as work disincentives; all poor families should have access to health care; and the issue of teen pregnancy must be comprehensively addressed. We believe that the public policy debates regarding the welfare system and the future of our children cannot ignore the interrelationships among the family structure, our system of education and job training, the workplace, and the need for essential services such as child care and health care.

Welfare Reform Principles

As a result of our growing concern about the needs of poor families and their children, the Association's Board, at its 1987 winter meeting, voted to support the following principles on welfare reform developed by the Food Research and Action Center (FRAC), and supported by more than 100 other organizations:

1. Persons who work should be rewarded for their efforts. They should receive income sufficient to support a family and access to necessary health care and child care. Barriers to the employment of low income persons should be eliminated.

2. Job opportunities, job counseling, training, education, placement, and supportive services should be widely available as primary tools to prevent and overcome poverty.

3. The Federal government should assure a minimum standard of living--including sufficient food, clothing, shelter and medical care--to those in poverty.

4. Additional investments should be made in programs proved successful in preventing future poverty and its ill effects.

5. Welfare policies should aid both one- and two-parent families in need. Existing child support law should be more effectively enforced.

6. In achieving the objectives above, the Federal government should maintain a strong presence, setting minimum benefit standards, providing adequate resources for effective programs, and supporting appropriate and effective state and local initiatives.

AFDC-UP

While the majority of families on welfare today are headed by single women, it is important not to overlook the fact that substantial numbers of poor families have two parents. The AFDC-Unemployed Parent program (AFDC-UP)is an option under AFDC that allows states to extend eligibility for AFDC, and therefore Medicaid, to two-parent families with children in which the primary wage earner is unemployed. In the 25 states without AFDC-UP, many unemployed parents, predominantly fathers, may be forced to choose between trying to keep the family together and deserting so that their children can receive money for food and shelter and have their Medicaid coverage continued. We believe it is shortsighted to support policies which encourage families to break up. Two parent families, in general, can better build a solid economic base than single parent families. Also, it is wrong to deny poor children access to health care simply because they live with both their parents.

Even in states that do provide AFDC-UP, the eligibility requirements make it difficult for most families to qualify. If a family's breadwinner works more than 99 hours a month, the family is automatically ineligible for AFDC-UP, no matter how low its income. Further AFDC-UP regulations require that the breadwinner must have had recent work experience and have received unemployment insurance in the past year or have worked six or more quarters during a 13-quarter period. Poor families who have not been able to get into the work force are excluded from AFDC-UP altogether. (The sole exception is two-parent families where one parent is incapacitated.)

The AFDC-UP program was designed to help two-parent families faced with a temporarily difficult period in their economic lives. Families living in the farm belt offer one example of what can happen to two-parent families when faced with major economic dislocations. Without the AFDC-UP program these families find themselves at a tremendous disadvantage. For instance, in Missouri approximately 87 percent of AFDC-UP families reside in rural areas; (the AFDC enrollment in contrast, is basically evenly divided between the state's urban and rural communities.) Further, it has been the experience in Missouri that 70 percent of AFDC-UP recipients remain on the rolls less than one year as compared with an average length of stay of 17 months for AFDC recipients. Despite evidence showing that AFDC-UP helps keep families together, the fact that states are not mandated to provide it can make the program vulnerable to efforts to undermine it. In fact, in Missouri in 1986, the Junior Leagues of Kansas City, St. Joseph and St. Louis teamed up with Citizens for Missouri's Children, a statewide child advocacy organization, to successfully defeat legislation which would have eliminated Missouri's AFDC-UP program.

Changes in the Work Disregard

In addition to the need for AFDC-UP in all states, it is apparent that many of the AFDC regulations often serve as work disincentives. Prior to 1981, a working parent whose earned income was low enough could still qualify for supplemental AFDC benefits. As an incentive to obtain work, each month the parent was able to keep the first $30 and one-third of the remainder of earnings. In 1981, the "$30 and one-third" income disregard was limited to four months.

In reporting on the limits on the "$30 and 1/3 work incentive" disregard, the Junior League of Salt Lake City's Child Watch report concluded, "Everyone we interviewed considered this four month limit unrealistic and counter productive. These new regulations have caused many parents to quit their jobs and return to full assistance." Fortunately, in 1984, the $30 disregard was extended for an additional eight months; however, the limit on the one-third income disregard remains at four months.

Child Care Issues

Any welfare reform program that requires or encourages the mothers of very young children to work must address the need to provide good quality child care. It is important to note, however, that reforms made by the 1981 OBRA curtailed the supply of--and access to--child care for low income families. The impact of these changes has been documented in a number of communities by Child Watch projects. First, the cuts in the Title XX Social Services Block Grant made by OBRA 1981 resulted in a decrease in the number of subsidized child care slots in many communities. Although Congress restored $200 million in funding beginning in FY 1984, the program still is funded at $600 million below the level of $3.3 billion established for it by P.L. 96-272. A fact sheet prepared by Generations United, an intergenerational coalition to which the Association belongs, points out that the overall expenditures of states for child care in FY 1986, when inflation is factored in, are approximately 12 percent below FY 1981.

In 29 states the Title XX-funded portion of child care was less in FY 1986 than in FY 1981. One of these states is Iowa. In 1983, the Junior League of Des Moines' Child Watch project reported that many families in Polk County were negatively affected by the Title XX cuts. The report concludes, "At no point in the Child Watch interviews were there words of encouragement expressed regarding adequately funded innovative programming which will break the cycle of generational poverty."

As a result of the 1981 cuts in Title XX, many states are increasingly relying on the AFDC Title IV-A child care disregard which OBRA capped at $160 a month, an amount insufficient to pay for good child care. Before OBRA, a family receiving a child care subsidy from a government program could deduct all of its child care costs and reasonable work expenses, before its AFDC benefit level was determined. As a result of OBRA 1981, parents working full time can deduct actual child care expenses only up to $160 a month per child and other work expenses up to $75 per month. Furthermore, the disregard, unlike Title XX, does not require that the child care it funds meet relevant state or local licensing standards.

The Junior League of Des Moines' Child Watch project found that the biggest problem faced by the community's child care providers resulted from this change in the child care disregard. The report also cited cases of individuals who "gave up" and remained on public assistance after being bounced from WIN worker (of the federal Work Incentive training and work placement program) to the Iowa Employment Training Program and back again in an attempt to qualify for the disregard.

The average cost for child care in Des Moines, according to the Polk County Child Care Resource and Referral Center, is $200 per child per month. With the child care disregard limited to $160 monthly, the amount taken from monthly income by monthly child care expenses is large -- and usually prohibitive for low-income families. Moreover, the retrospective accounting method established by OBRA makes it difficult, if not impossible, for most AFDC families to use the disregard on a continuing basis, thus compounding a parent's difficulties in keeping a job. As a result of its Child Watch findings, the Junior League of Des Moines in 1983 launched a collaborative project entitled, Child Care Subsidy and Assistance, which, using a combination of private and public funding, provides subsidies to families who cannot afford the cost of child care.

The failure to provide child care for parents who need job training deprives many parents of the opportunity to obtain the skills necessary to become economically independent. Sixty of the 300 families receiving a child care subsidy from the Subsidy and Assistance program, between 1984 and 1986, were single mothers who qualified for welfare but requested the subsidy in order to obtain job training. One mother who received a subsidy wrote to the Governor of Iowa explaining her frustration: "I do not want to give up my last opportunity to get my education. If I am unable to continue getting financial aid for any child care I will have no other alternative but to give up all my plans and go back on AFDC."

The need for child care to enable women to become independent of welfare also is illustrated by the findings of the Florida Center for Children and Youth, a state-based child advocacy organization which was founded by a coalition of Florida groups including the Junior Leagues, the League of Women Voters and the National Council of Jewish Women. The Center's current president, Cynthia Brubaker, is a past Chairman of the Public Policy Committee of the Board of the Association of Junior Leagues.

Currently, 22,000 children who are eligible for subsidized child care are on waiting lists in Florida and the waiting lists grow by 6200 children annually. However, the state's 1987 budget provides funds only to increase available subsidized care by 2000 slots--falling far short of the rate at which the waiting list is growing. The lack of child care has undercut the Public Assistance Productivity Act (PAPA) in Florida, a job training and placement program for the state's AFDC recipients. The children of parents participating in PAPA are third on the list of children who have priority access to subsidized child care--after children who are known victims of abuse and neglect and children who are suspected to be abuse and neglect victims. The Florida Center estimates that approximately 1800 children comprise the first two priority groupings, leaving little room for children whose parents are ready to leave the PAPA program and obtain jobs.

The critical need for child care for women moving into the paid labor force and off of AFDC was tragically illustrated earlier this year in Miami. An AFDC mother with two children ages three and two had been waiting for over a year for child care for her children. When she did obtain a job at a restaurant, she had no choice but to leave her children alone locked in her home. When she returned to check on her children, she discovered that they had climbed into a dryer and had been burned to death.

Medicaid and Infant Mortality

Because of the Association's long-standing support of child health projects, we have continually supported efforts to expand Medicaid coverage for poor women and children. We are pleased that the 99th Congress provided states with the opportunity to expand Medicaid to more needy women and children. However, the infant mortality rates in this country stand as a national disgrace: the Children's Defense Fund reports that the United States ties for last place among 20 industrialized nations.

Julia Taylor, former first vice president of the Association, served on the Southern Regional Task Force on Infant Mortality, which spearheaded the efforts to expand Medicaid coverage for poor pregnant women, new mothers and young children. The Task Force reports that the factor most commonly associated with the death or disability of newborns is low birth weight. A low birth weight baby is more likely to need costly special care at birth and is 40 times more likely to die during the first month of life than are babies who weigh more. Additionally, low birth weight babies are twice as likely to suffer more handicaps throughout their lifetime. The Southern Regional Task Force on Infant Mortality, as well as a host of studies from advocacy groups and the medical community, conclude that modest investments in preventive health measures can improve the well-being of mothers and babies and help forestall far more costly after-the-fact medical care.

In addition to the lack of affordable quality child care, the loss of Medicaid for their children is a clearly documented barrier to the employment of welfare parents. The "Catch-22" for welfare parents is that if they accept a job and work over 100 hours in a month, they lose their access to Medicaid-paid health care for their children. Because many welfare recipients often can only find jobs which provide no health care benefits, many parents feel that they cannot afford to accept a job because they would be jeopardizing the health of their children.

The importance of maintaining health care coverage for children was documented by the Junior League of Salt Lake City's Child Watch report. As one woman noted, "You can't afford to work. If you really care about your kids, you'll do anything to keep Medicaid." Such findings indicate that the present welfare system often discourages the women who want to work and be independent. Rather than encouraging and supporting their efforts to move off of welfare--the system appears to encourage long-term dependency.

Adolescent Pregnancy

The relationship between out-of-wedlock, adolescent childbearing and long-term welfare dependency is well-documented. In fact, while the birth rate among adolescents is declining, the percentages of teenagers bearing children out-of-wedlock is rising. Lacking skills, alarming numbers of these teenage mothers and their children have no recourse but to become dependent on welfare. Recognizing the growing problem of adolescent pregnancy, Junior Leagues and the Association have become involved in a broad range of programmatic and policy initiatives designed to prevent adolescent childbearing and to provide support to those teenagers who already are parents.

In 1984, in collaboration with the March of Dimes, the National Council of Negro Women, the National Coalition of 100 Black Women and the Children's Defense Fund, the Association began the Adolescent Pregnancy Child Watch (APCW) Program. Modeled on the original Child Watch program, APCW is designed to enable local community collaborations to gather data on the impact of adolescent pregnancy based on local findings. Based on its findings, each APCW community collaboration develops a set of recommendations. The findings of many APCW sites underscore the need for essential educational, vocational and child care supports to those teenagers who already are parents in order to interrupt the cycle of long-term welfare dependency as well as to provide incentives for teenagers to delay child bearing. Good education and job training are needed to give teenagers a vision of life free of welfare and the ability to become self-sufficient.

A sampling of recommendations from APCW projects coordinated by Junior Leagues in High Point, North Carolina, Montgomery County, Maryland, Philadelphia and Los Angeles County underscore the need for enhanced job training opportunities, expanded day care programs, and efforts to encourage teen parents to remain in or return to school. For example, the High Point report cites the need for "...better communication and follow-up between counseling, health, education, and income support systems via a multi-service comprehensive program which integrates all services needed by the pregnant and parenting adolescent." Further, the High Point report states that "Adequate day care needs to be provided for the teen mother so she can continue her education or job training." In Montgomery County, Maryland, APCW volunteers found that "A pregnant teen who lacks at least a high school education and/or basic job skills faces life on welfare." The report states that "Their (adolescents') pride and motivation need to be fostered through support systems and incentive-based programs."

In Los Angeles County, the findings were similar. The report recommends that teen mothers need to "attain economic self sufficiency to complete their education and acquire useful occupational skills.", and points out that "Available research tells us that if these goals are accomplished then the long range outlook for a teen mother and her child is most positive, yet most teen mothers leave school. Key support services to make school attendance possible are on-campus child care and transportation. Up-to-date vocational preparation should be available as an adjunct to high school studies or as post-high school option."

The Philadelphia APCW project makes similar recommendations and urges that "a special type of education needs to be provided that includes not only the normal academic program but provides training on basic life skills, parenting skills, nutrition and job skills. The goal should be to provide every pregnant teen who desires to further her education, the ability to do so."

Minimum Standards and Welfare

As noted by former Arizona Governor Bruce Babbitt, in the report "Ladders Out of Poverty", "in this Nation and in this day and age, if you are working then you ought not to be poor." However, a job is no guarantee against poverty: presently two million parents work full time, yet live in poverty. The statistics of children living in poverty are staggering. Almost 14 million children live in poverty today: one in every six white, two in every five Hispanic, and one in every two black children. Most of these poor children are living in single-parent, female-headed households, which are four times more likely to be poor than are two-parent families. Nearly 40 percent of all these households were living in poverty in 1986.

Food, clothing, health care and shelter are fundamental needs and the benefits received by poor families must be adequate in order to provide them. Clearly, the fact that benefits are not always adequate is exemplified by the growing number of homeless families. With declining benefits and rising rents, many mothers have been forced to choose between feeding their children and housing them. The short-term implications for families living on the streets and in welfare hotels are deplorable; the long-term implications for the children being raised without adequate shelter, nutrition, security, and schooling are devastating.

More than 50 Junior Leagues are involved with projects to help the homeless and hungry in their communities. For example, the Junior League of Atlanta provides a day care shelter for the children of homeless women coupled with a work-adjustment program and parenting and household management courses for the mothers. The Atlanta Junior League also works with the Housing Authority of Atlanta to assist these homeless families to find housing. This program has a remarkable record: of the 185 families served in the past six months, 115 are no longer homeless.

The Junior League of St. Louis recently opened the Family Center, the only shelter in the county which provides shelter to all types of homeless families, including those with two-parents, teens, and mothers with infants. In addition, the Junior League of The City of New York, working in collaboration with the Children's Aid Society, recently received approval from the City to renovate three abandoned buildings which will provide transitional housing for homeless women.

To underscore their concern about homelessness, Junior League delegates, at the Association's 1986 Annual Conference, adopted the following resolution:

> Whereas, There remains a critical problem of the homeless and hungry in our nations which has spared no region; and
>
> Whereas, Advocating for short term needs is vital and necessary, broader based solutions are needed to bring long-term results;
>
> Resolved, That the Association and member Leagues underscore the commitment to the issues of the homeless and hungry;
>
> Resolved, That objectives should include but not be limited to:
>
> - Member Leagues sharing in a Program Exchange
> - Advocacy efforts at the local, state and national levels by the Association member Leagues and SPAC
> - Development of a document describing service delivery and advocacy options.

In response to this resolution, the Association will hold a public policy issues forum, "The New Homeless: Women, children, and Families", October 5-7, 1987, at the Wingspread Conference Center in Racine, Wisconsin. Two of the conference key-note speakers will be Doctors Ellen Bassuk and Kay Young McChesney, each of whom currently directs a major research project on the issue of homeless women and children.

The research of Dr. Ellen Bassuk of the Harvard Medical School attests to the gravity of the fact that increasing numbers of young children lack homes and are living in absolute poverty during their formative years. Intensive interviews and tests document that a majority of children living in Massachusetts' shelters are suffering developmental delays, severe anxiety and depression, and learning difficulties. Many preschoolers have never known the comforts of a stable home; almost half have moved 5 to 14 times since birth.

Director of the Homeless Families Project at the University of Southern California, Dr. Kay Young McChesney found four distinct groups of families which are increasingly becoming homeless in the Los Angeles area: (1) unemployed couples, generally low-wage earners who lost their industrial or manufacturing jobs and cannot find jobs for which they qualify; (2) mothers leaving relationships, often due to divorce, desertion or violence; (3) AFDC mothers who met with the "squeeze" and could not afford to stay in their homes; and (4) mothers who had been homeless teens, often due to sexual abuse at home or as a result of "aging-out" of foster care.

Dr. McChesney found that in Los Angeles the largest percentage of homeless families are AFDC mothers and their children. The most unexpected group of homeless families are those headed by young women who "aged out" of foster care and teen runaways who have become homeless mothers. These findings have important implications for reform. For example, the need for implementation of the Independent Living Initiative, passed by the 99th Congress, is shown by the move of children from foster care to the streets. Clearly, a program to help these young people build a bridge to independence is urgently needed.

It is essential that programs be developed that will provide all homeless children and their families with housing and a solid economic base by providing job training, jobs, child care and other support services to help them move towards independence.

Summary

We must recognize that those families currently relying on welfare benefits have diverse needs. Many need only a job providing an income sufficient to support their families. Many others, particularly teens, need to finish their education and obtain job training before qualifying for work. A minority, specifically the homeless, require a comprehensive array of support services before they can be ready for job training. All of these families must have access to child care and health care, whether at home, in training, or working, until financially independent.

We applaud this Subcommittee's efforts to develop a welfare system that will address the needs of families during the last quarter of the 20th Century. Such a system needs to be based on the recognition that the majority of both parents now work and that, given the opportunity, most Americans want to work. However, they cannot work unless jobs are available. Moreover, they cannot support their families without adequate incomes, nor can they qualify for jobs that will lead them off the welfare rolls without proper training or education.

Most important, a welfare system must be based on the recognition that children are our nation's future. Medical care must be provided until parents have achieved the economic independence to enable them to pay for health coverage, and high quality affordable and accessible child care must be provided if the parents of young children are to be required or encouraged to work. Currently, limited funds, plus the lack of adequate standards for the majority of child care, results in low quality care. This is especially true for infant care, the most limited and costly form of care. Moreover, the shortage of infant care is exacerbated by the absence of a national parental leave policy.

Thank you for the opportunity to testify before you today. We look forward to continuing to work with you to achieve effective welfare reform in America.

Virginia T. Austin
President
Association of Junior Leagues, Inc.

Mr. PEASE. Thank you very much, Ms. Austin. We appreciate your testimony.

Ms. Phillips, we will be pleased now to have your testimony.

STATEMENT OF DEBORAH A. PHILLIPS, PH.D., MID-CAREER FELLOW, BUSH CENTER IN CHILD DEVELOPMENT AND SOCIAL POLICY, YALE UNIVERSITY

Ms. PHILLIPS. Thank you. Mr. Chairman, I appreciate having the opportunity to testify before this committee on the role of child care in welfare reform, and I especially welcome your interest in the children whose lives would be affected by welfare reform legislation. My name is Deborah Phillips. I am a developmental psychologist presently affiliated with Yale University's Bush Center in Child Development and Social Policy.

Today I will make two points. First, as you have heard many times already today and will hear many times again, child care is critical to an effective welfare reform program. Second, any child care component of welfare reform must be financed and designed to assure that children are in safe, supportive, and reliable arrangements.

Child care has become an essential part of rearing children in contemporary society. This is true of absolutely every type of family. It may be especially true of the families that you seek to move into self-sufficiency through welfare reform. Report after report points to young mothers with young children and little work experience as a prime group for welfare reform.

Thirty-six percent of nonworking mothers with family incomes under $15,000 surveyed by the Census Bureau in 1982 indicated that lack of affordable child care was a major barrier to seeking employment.

One-third of all single unemployed parents responding to a Gallup poll conducted in California reported that inadequate child care arrangements kept them from working or attending training outside the home.

A survey conducted in Massachusetts found that 30 percent of nonworking parents attributed their unemployment to lack of child care; 10 percent had actually quit their jobs as a result of child care problems.

Survey after survey in State after State confirm these trends. They are not terribly surprising. Problems with child care are repeatedly cited by fully employed nonpoor parents and their employers as hampering productivity, dependability, and job commitment.

Phillip Robins, a professor of economics at the University of Miami, who will be testifying before the Select Committee on Children, Youth, and Families next week, will be reporting data which show that as child care costs increase, the probability that women will decide to remain out of the labor force or will terminate employment altogether also increase.

Child care assistance is simply essential if low-income mothers are to participate in training programs, attend school, or obtain and hold jobs. In Massachusetts, the highly regarded ET Choices program allocates close to 40 percent of its budget to child care.

Mothers with children under 6 years of age now constitute 41 percent of all participants, up from 18 percent in fiscal year 1984. Their participation is entirely voluntary and thus demonstrates their eagerness to get job training when they are provided the supports that can make their desire to work a reality.

The challenge, then, is how to craft and finance an effective child care component that promotes the goals of welfare reform on the one hand and protects the best interests of children on the other. I would like to offer a list of considerations that have been raised repeatedly by child care experts and by States who are already involved in welfare reform programs.

First, any child care provision must take into account the quality of the care that is supported. We now have a two-tier child care system, characterized by vast inequities in the quality of Federally supported child care received by poor children. Some children are fortunate enough to get the comprehensive care and services provided by Head Start and by some of the new State preschool programs. These programs are justified on the grounds that exposure to quality programs early in life can begin to launch children on a path out of poverty.

But historically, and presently in the AFDC program, efforts to reduce poverty that emphasize adult training and employment have sacrificed child care quality at the alter of welfare cost reduction. Child care in this case is supported primarily to remove one impediment to parents' participation in job training.

The quality and reliability of the child care received by the children are left largely to chance, as is presently the case with the AFDC child care income disregard, with potentially high costs later in the form of remedial education, grade retention, and other forms of academic and social failure. Yet, the children served by these two tiers of child care are the same children with the same needs for quality care.

It is time that we recognize this entire package of poverty reduction programs for adults on the one hand and children on the other is designed to assist families not to set the needs of parents and children against each other, but to respond by assuring access to good-quality care in welfare reform proposals.

In Massachusetts, for example, where quality has been a primary consideration throughout the ET program, the child care subsidies that are provided through ET must be used to purchase child care that is regulated by the State.

Second, financial assistance for child care must be made available and must allow parents to purchase regulated care. Full-time child care costs, on average, $3,000 a year. Higher-quality care and care for infants can cost more than this. By contrast, a single mother who successfully completes a training program and secures a full-time entry-level job at minimum wage earns about $6,700 annually. At a minimum, child care programs for work and training participants should incorporate reimbursement rates that match, if not exceed, the State subsidy level for title XX child care.

Without adequate financial support, it is virtually guaranteed that hundreds of children will receive poor-quality care, patchwork arrangements that shuttle them from one provider to another, and unreliable care that will disrupt parents' ability to go to training, not to mention what it will do to a child's sense that the world is dependable.

Third, it is important that child care support be adequate to enable parents to purchase full-time child care if it is needed. Common perceptions are that most mothers who work, work part-time. But presently, two-thirds of all mothers with preschoolers who work, work full-time, though not necessarily through the summer months. There is no reason to expect that this will be dramatically different among mothers who work their way to full employment through a welfare reform program.

Fourth, child care assistance must be structured to avoid abrupt terminations of support just as a parent starts to achieve self-sufficiency. This requires tying child care subsidies to earnings rather than to an arbitrary period of time. In California, where child care support is continued for at most 3 months beyond participation in the GAIN program, counties are already beginning to report that parents are unable to sustain employment because very-low-cost child care options are often unavailable and high-cost options are beyond their means.

One might expect that parents who participate in welfare reform could be transferred to other forms of child care subsidy as a way to ease them off the child care support provided through welfare reform. Unfortunately, as you have heard, these other sources have been substantially reduced. Title XX, the largest source of Federal child care support for low-income families, is now funded in real terms at half of what it received a decade ago. As a result, 23 States now serve fewer children than they did in 1981, and many States have eliminated altogether or pared back support for parents in training and in school. The title IV-A income disregard, an additional source of low-income child care support, is so seriously flawed that it should not be used as the basis of any new and forward-looking child care policy.

These are sobering facts. As the proportion of children with working mothers continues to escalate and States struggle to compensate for reductions in Federal child care support, there is not even a crack in the door for children of welfare reform participants to enter the system. If parents' participation in employment and training is mandatory, these concerns become even more paramount.

Several other issues, including the need for a supply-building mechanism and the value of providing parents with help in finding child care are described in my full written testimony, and I would be happy to discuss them with you later if time allows.

In sum, public policy and research recognize two basic facts about child care. The first is that child care is a basic feature of effective welfare reform programs. The second is that high-quality child care can help to prepare children, particularly low-income children, for effective and productive adult lives.

Today I have offered a brief overview of some of the considerations that will in all likelihood surface as you develop and refine legislative proposals in this area. Others undoubtedly will emerge. In the months ahead, as you work on welfare reform legislation, I would urge you to approach child care as a vital support to the participating families. Designing it to promote both the employment needs of adults and the developmental needs of children may accomplish two goals with one stroke: enabling parents to achieve economic self-sufficiency, and beginning to prepare the next generation for productive adult lives.

Thank you very much, and I look forward to having the chance to work on this with you as you develop legislative proposals.

[The prepared statement follows:]

STATEMENT OF DEBORAH A. PHILLIPS, PH.D.
BUSH CENTER IN CHILD DEVELOPMENT AND SOCIAL POLICY, YALE UNIVERSITY

Mr. Chairman and Members of the Committee, thank you very much for giving me this opportunity to testify on the role of child care in welfare reform. I welcome your interest in the children whose lives will be affected by welfare reform legislation and applaud your sensitivity to the complexity of these issues.

My name is Deborah Phillips. I am a developmental psychologist. A central focus of my own research is the developmental effects of child care, studied both in the United States and in Bermuda. I have held several policy positions, most recently as Director of the Child Care Information Service at the National Association for the Education of Young Children. Presently I am working on several child care and family support projects with Professor Edward Zigler, first director of the federal Office of Child Development, at Yale Unversity's Bush Center in Child Development and Social Policy.

Today I want to emphasize two points. First, as you have undoubtedly heard many times, child care is critical to an effective welfare reform program. And, second, any child care component of welfare reform must be financed and designed to assure that children are in safe, supportive, and reliable arrangements.

Child care has become an essential part of rearing children in contemporary society. This is true of absolutely every type of family -- rich and poor, black and white, two-parent and single-parent, teen parent and mid-life parent. Recent survey data suggest that this may be especially true of the families that you seek to move into self-sufficiency through welfare reform. Report after report points to young mothers with young children a little work experience as a prime group for effective welfare reform.

Thirty-six percent of nonworking mothers with family incomes under $15,000 interviewed in an extensive national survey conducted by the Census Bureau indicated that lack of affordable child care was a major barrier to seeking employment.

One-third of all single, unemployed parents responding to a Gallop Poll commissioned by the California Governor's Child Care Task Force reported that inadequate child care arrangements kept them from working or attending training outside the home.

In a recent study by the National Social Science and Law Center exploring barriers to employment for single mothers receiving AFDC benefits in Washington State, nearly two-thirds of the respondents cited difficulty with child care as a primary problem in seeking and keeping jobs. Almost 90% of these women had children under 12 years and more than half had children under six.

A survey conducted by the largest resource and referral agency in Massachusetts found that 30% of nonworking parents attributed their unemployment to lack of child care, and of these, 10% had actually quit their jobs as a result of child care problems.

And 44% of unemployed parents, most of whom were single-parent AFDC recipients, surveyed in Vermont reported that they had turned down a job offer or left a job because they couldn't make satisfactory child care arrangements.

These statistics are not terribly surprising -- Problems with child care are repeatedly cited by fully employed, nonpoor parents and their employers as hampering productivity, dependability, and job commitment. Phillip Robins, a Professor of Economics at the University of Miami, will be reporting data at a hearing before the Select Committee on Children, Youth, and Families next week which demonstrate that child care costs are directly related to seeking and maintaining full employment. Higher costs increase the probability that women will decide to remain out of the labor force or will terminate employment altogether.

The link between affordable, dependable child care and parent employment is supported by research, by surveys, and by the personal experience of thousands of families. Child care assistance is essential if low-income mothers are to participate in training programs, attend school, or obtain and hold jobs. Virtually every recent report on welfare reform, the two newest initiatives in California and Massachusetts, and Governor Kean's proposed initiative in New Jersey highlight child care as a fundamental component of welfare reform.

In Massachusetts, for example, the highly regarded ET Choices Program allocates close to 40% of its budget to child care. Mothers with children under 6 years of age now constitute 41% of all participants, up from 18% in fiscal year 1984. Their participation is voluntary, thus providing a clear indication that parents are eager and able to participate in training and employment programs when child care support is provided. Similarly, California's new welfare reform initiative -- the GAIN program -- spends $59.1 million of the $265.9 million budget for child care.

The question, then, is not whether to include a child care component in welfare reform legislation, but rather how to craft and finance an effective child care component. I would like to offer a list of considerations that have been raised repeatedly by child care experts and by states already involved in welfare reform programs.

First, any child care provision must take into account the quality of the care that is supported. You have the opportunity to weave into one program the lessons learned from research into the effects of high quality early care environments -- research that fed directly into the design of Head Start and is now prompting state after state to initiate part-day, prekindergarten programs -- with the knowledge that child care is the key to economic self-sufficiency among mothers.

It is extremely important to design a child care component that does not contribute to the existing "two-tier" child care system -- one tier of lower quality care for the children of welfare reform participants, and one tier of good quality care for low-income children who themselves are viewed as the target of poverty intervention programs such as Head Start.

The same children are affected in both instances. Some children in low-income families are fortunate enough to get the comprehensive care and services provided Head Start, justified on the grounds that exposure to quality programming early in life can launch children on a path out of poverty. Other children in families who meet the Head Start eligibility criteria, but whose child care will be supported through welfare reform, run the risk of being relegated to very low cost care justified on the basis of reducing welfare costs. The quality and reliability of the child care received by the children are left to chance, as is presently the case with the AFDC Child Care Income Disregard, with potentially high costs later in the form of remedial education, grade retention, and other forms of academic and social failure.

It is time we recognize that this entire package of poverty-reduction programs is designed to assist families -- not to set the needs of parents and children against each other -- and to respond by assuring access to good quality child care in welfare reform proposals.

In Massachusetts, the child care subsidies provided through ET must be used to purchase child care that is regulated by the State. To offer families flexibility, relatives and babysitters can provide care for at most 10 days. State licensing of child care, while far from perfect, enforces basic health and safety guidelines, and brings with it monitoring and visibility -- essential safeguards for children not cared for full-time by their parents.

Second, financial assistance for child care must be made available and must allow parents to purchase regulated child care. Full-time child care costs $3,000 per year, on average. Good quality care can cost much more than this. Head Start, for example, now averages about $2,500 per child per year for a part-day program. By contrast, a single mother who successfully completes a training program and secures a full-time entry level job at minimum wage earns $6,700 annually.

At a minimum, child care programs for work and training participants should incorporate reimbursement rates that match the state subsidy level for Title XX child care. (A level that is often too low, leading providers in some states to refuse to serve subsidized children given the substantial demand for child care from middle- and upper-income families.) The GAIN legislation in California takes this one step farther, specifically stating that child care subsidies must be set to the market rate of child care in the participant's county, and may go up to 1.5 standard deviations above the average cost of care. Massachusetts, which also took very seriously the issue of quality when setting their reimbursement rate, estimates that annual per child costs for child care funded through ET range from $2,000 to $5,000 depending upon the age of the child -- with infant and toddler care being the most expensive -- the type of program, and the hours of care needed.

Without adequate financial support, such as that offered in Massachusetts, it is virtually guaranteed that hundreds of children will receive poor quality care, patchwork arrangements that shuttle children from one provider to another, and unreliable care that repeatedly disrupts the parents' ability to go to training or work, not to mention the harm that is done to a child's sense that the world is dependable.

Third, it is important that child care support be adequate to enable parents to purchase full-time child care as needed. Common perceptions are that most mothers who work, work part-time. Yet, presently two-thirds of all mothers with preschoolers who work, work full-time, according to the Department of Labor. Among mothers with school-age children, almost three-quarters of those who work, work full-time. There is no reason to expect that this will be dramatically different among mothers who work their way to full employment through a welfare reform program. Part-time work, at low wages, is simply insufficient to raise a family above the poverty level and thus falls short of the goals of welfare reform.

Fourth, child care assistance must be structured to avoid abrupt terminations of support just as a parent starts to achieve self-sufficiency. This requires tieing child care subsidies to earnings rather than to an arbitrary period of time. In California, where child care support is continued for at most 3 months beyond participation in GAIN, counties are already beginning to report that parents are unable to sustain employment, because very low-cost care options are unavailable and higher-cost options are beyond their means.

Massachusetts provides transitional child care support to families for a year after completing the ET program to assure that the investment in job training is not lost because slow increments in wages cannot keep up with abrupt increases in child care costs. All parents pay something toward their child care costs, even if very nominal, based on a sliding fee schedule. At the end of the transition year, however, many parents remain unable to support the costs of regulated child care. Their choice is to piece together a collection of low-cost or no-cost child care arrangements, which are known to be fragile and unreliable. Alternatively, they may return to dependence on AFDC and other transfer payments.

One might expect that parents who participate in welfare reform could be transfered to other sources of child care subsidy as a way to ease them off of the child care support provided through welfare reform. Unfortunately, these "other sources" have been substantially reduced. Available openings fall far short of meeting the needs of eligible families even without the added burden of a new cohort.

In 1981, over 20 states either completely eliminated parents in training and school from eligibility for Title XX child care assistance, or severely limited the type of training or education that would qualify parents for support. Other states restricted eligibility for child care assistance to parents in single year training programs. In general, Title XX funding in real terms is now one half of what it was a decade ago. As a result, 23 states now offer Title XX child care to fewer youngsters than were served in 1981. In California, the intent of the GAIN law is to transfer children to non-GAIN supported child care when parents complete their training. Given that the alternative programs now serve only 10% of the eligible population, it is difficult to imagine how this provision can be implemented. Even the popular Head Start program now serves fewer than 20% of eligible children.

These are sobering facts. It is important to be realistic about how much demand existing child care programs can tolerate. As the proportion of children with working mothers continues to escalate, and states struggle to compensate for reducations in federal child care support, there is not even a crack in the door for the children of welfare reform participants to enter the system. If parents' participation in employment and training is mandatory, these concerns become even more paramount.

The Title IV-A Child Care Income Disregard -- a final source of low-income child care subsidy -- is so seriously flawed that it should not be the basis of any new and forward looking child care policy. Families are reimbursed after they purchase child care, with a lag time as long as 2 months. Poor families simply cannot sustain two months of child care costs. Families must locate their own sources of child care, there is no requirement that the care be regulated, and the payment level of $160 per month fall fars short of the real cost of care, particularly regulated child care. Finally, because the Child Care Disregard is subtracted from a family's earned income before the $30 and 1/3 disregard, it is possible that families will end up with less available income than working AFDC families who receive child care support through Title XX.

Fifth, any child care subsidies provided to parents enrolled in training and employment programs will be used most effectively if they are accompanied by resources dedicated to increasing the total supply of child care. In the absence of a supply-building mechanism, there may literally be no openings in center-based or family day care homes for parents who seek these forms of care. In North Carolina and Minnesota, new child care subsidies did not translate into better placements for children because there were not enough child care facilities to absorb the new funds. ET administrators report shortages of infant care and school-age care for the children of ET participants. Nationwide, waiting lists for openings in programs that enroll infants and toddlers are reported to be double the total capacity of the programs.

While problems with the supply of child care are too large to be successfully or appropriately addressed in the context of welfare reform, they represent a major hurdle that cannot be entirely overlooked. Massachusetts is attempting to address the supply problem through concerted efforts to recruit family day care homes that can serve infants and toddlers. California included $36.5 million for capitol improvements and relocation for school-age child care programs in the GAIN legislation. Nevertheless, the children of parents participating in GAIN required child care long before the supply-building allocation could affect the availability of programs. California also has a revolving no-interest loan program for start-up and expansion of child care facilities, and the private sector has just joined forces with the state to launch a $950,000 recruitment and training program for child care providers.

Sixth, both Massachusetts and California have recognized the value of linking welfare program participants with child care resource and referral agencies. These agencies offer parent education, guide parents through available child care options, and inform parents about their eligibility for subsidies. This improves the chances that families will make an informed child care choice. In Massachusetts, a resource and referral specialist is placed in the welfare office where parents sign up for ET. California has been less effective on this account. Parents are simply informed about the availability of community-based resource and referral. Making the link requires additional time and transportation for them.

In sum, public policy recognizes two basic facts about child care. The first is that child care is a basic feature of effective welfare reform progams. The second is that high quality child care can help to prepare children, particularly low-income children, for effective and productive adult lives. Today, I have offered a brief overview of some of the considerations that will, in all likelihood, surface as you develop and refine legislative proposals in this area. Others will undoubtedly emerge. They center around the need to assure that child care promotes rather than hinders families' participation in employment and training, that you make the most efficient use of existing and new child care resources, and that whereever possible, you strengthen rather than stretch available child care.

In the months ahead, as you work on welfare reform legislation, I would urge you to approach child care as a vital support to the participating families -- designing it to promote both the employment needs of adults and the developmental needs of children. Then you will accomplish two goals with one stroke -- enabling parents to achieve economic self-sufficiency and preparing the next generation for a productive adult life.

Mr. **Pease**. Thank you, Dr. Phillips.

We don't have very much time for colloquy. I would like to be able to keep you two up here for another half-hour, but I just can't do that. So let me concentrate on the area that you mentioned and that you specifically focused in on; that is, child care.

I thought your specific research will be very helpful to the committee, and I appreciate that.

What about these child care centers? Do you have in mind that the welfare system would set up new child care centers or that we would provide the money so that the welfare mothers could go into private commercial child care centers?

Ms. **Phillips**. First of all, I think it is very important that we not restrict child care options only to center-based arrangements.

Mr. **Pease**. Only to which?

Ms. **Phillips**. To centers.

Mr. **Pease**. Okay.

Ms. **Phillips**. Family day care homes and other kinds of arrangements are very important sources of child care, particularly for younger children, infants, and toddlers, and for school-age children, the two ends of the age spectrum.

There are concerns about the current supply of regulated child care arrangements. In both California and in Massachusetts, the welfare reform programs include provisions that will be supply-building mechanisms. In California they actually added a $36 million appropriation specifically to enhance the supply of school-age child care, recognizing that there isn't enough now. In Massachusetts there is a very extensive effort to recruit family day-care providers because they are having serious problems finding enough arrangements for infants and toddlers. So to the extent that you can think about, on top of everything else, adding some supply-building mechanism it would be extremely helpful.

On the other hand, you really do have a dilemma here because a lot of families use relatives and unregulated forms of child care. Sometimes these forms of child care are perfectly fine, are stable, are familiar to the families, are good for the children. In other cases they are not. If you exclude them completely from the options that families can use in welfare reform, you are basically restricting families to the limited supply of regulated arrangements. If you do include them, you run the risk of having children in some unsafe, invisible, unregulated arrangements. It is a dilemma we need to continue to think about.

Mr. **Pease**. Ms. Austin?

Ms. **Austin**. I would only add as comment—and I certainly am not qualified to specifically address the complex issues of child care—but I will add that many Junior Leagues across the country have been involved in information and referral services. They are finding that having a variety of options is really the most productive approach to child care.

Ms. **Phillips**. The resource and referral issue is a very important one. These programs help parents find and choose appropriate arrangements for their children, and especially to the extent that you have a very diversified child care system in this country, it is a critical link between the parents and the child and the programs.

Mr. **Pease**. Surely. Well, I mentioned earlier in discussions with our other panel that when my constituents talk about welfare reform, what they are talking about is cutting back on waste, fraud, and abuse. They are not particularly thinking about child care or other things. It seems to me that as we think about providing child care as part of an intelligent welfare reform package, that we have to keep in mind the sensitivity of the public to what they consider to be fraud or abuse in the welfare system, and we might have to sacrifice some degree of what would be a perfect system in child care in order to make sure that we protect ourselves against the public perception that we are wasting their dollars.

If we give money for child care and allow it to be spent for relatives—as you suggest, often that is a perfectly appropriate place—but there have been enough examples where people have manipulated that system—"I take care of your kid, you take care of my kids, and we both pick up the child care money"—that is a real source of concern. Beyond the waste of money, there is the concern about children being abused and so on.

As a politician, I would cringe at seeing a newspaper headline, "Government spends thousands of dollars of taxpayers' money for a center that abuses children." That is a nonstarter as far as politicians are concerned. So we have got to figure out some way to build in those safeguards, as I say, even if it means giving up a degree of perfection.

A thought that has occurred to me off the top of my head that you may want to comment on is that for regulated, licensed day-care centers we could provide a voucher that provides the absolute cost of the system, whereas for other arrangements, less formal ones, we might continue with the income disregard approach which doesn't make the Government quite as responsible for the selection as we would with the day-care center.

Does that sound promising at all?

Ms. **Phillips**. The voucher approach is a very fruitful avenue to pursue for regulated arrangements. That is what is done in Massachusetts. It works very well. It works very well, in part because they have the supply-building piece and because they channel parents through resource and referral staff to help them find arrangements.

I am very sympathetic to your concerns about unregulated arrangements, and I cringe as well when I see those headlines. I would recommend that you look very carefully at both Massachusetts and California because the way they handle this is to allow some flexibility.

For example, in Massachusetts, families are allowed to use relatives for child care for, at most 10 days during the year. This means that when their child is sick or when they need to bridge other arrangements, they can rely on a relative. But that's it.

In California, families are actually encouraged to use relatives, but there are some minimal requirements that those relatives must comply with. They are very minimal. I think they are too minimal, myself. But again, I think you can create some flexibility for that kind of arrangement without leaving it completely open or completely without any form of accountability; and I think that is critical, for precisely the issues that you are raising.

Let me say just one more thing, which is that the title IV income disregard for child care is just simply not the right way to go. It doesn't work now, for a variety of reasons which are outlined in my testimony, and I think it would be a crying shame to see new legislation turn back to that as a major child care mechanism where there are chances for some creative ideas that will be more effective.

Mr. Pease. Good.

Ms. Austin, I don't think it would be fair to ask of you what I am going to ask of Dr. Phillips, but if you want to enter into it also, that's fine.

Dr. Phillips, you have done a lot of work in this area and you have, obviously, a great deal of interest in it. I would appreciate it if you would give me some of your thoughts as to what language you would write into the statutes if you had to come up with the language. Since I am only temporary chairman, if you would direct that to me personally as an individual member, I may be able to translate that into the bill that we pass out.

But I think it is a good discipline for you all, not just to state general principles but say, how is this going to appear in the statute books and how do we worry about the fraud and all this sort of thing.

So, if you have the time and the inclination, I would be glad to receive that from you.

Ms. Austin. Well, no, I certainly could not comment on that, though I will say that my staff will take a look at that too, and any suggestions that they have I will have them pass them on to you.

Mr. Pease. Surely. It doesn't have to be complete, but anything at all would be helpful.

Ms. Austin. Fine.

Mr. Pease. Okay. Thanks again.

Ms. Austin. Thank you very much.

Ms. Phillips. Thank you.

[Nothing further was received.]

Mr. Pease. Our next panel will be: Judith Gueron, president of the Manpower Demonstration Research Corporation; Walter Speckman, of the Weld County, Colo., Department of Human Services; and Morton Sklar, consultant and former director of Jobs Watch.

We are under some time constraints. I must leave in about 20 minutes, and we have no other member here. So, if you could each try to summarize your testimony in about 5 to 7 minutes, I think that would be helpful.

We will start with you, Ms. Gueron.

STATEMENT OF JUDITH M. GUERON, PRESIDENT, MANPOWER DEMONSTRATION RESEARCH CORP.

Ms. Gueron. Good morning. I am Judith Gueron, president of the Manpower Demonstration Research Corp. What I am going to be talking about today are the findings from a 5-year evaluation of State work-welfare initiatives, and I will try to condense them and ask you to include the full remarks in the record.

I think that what is striking about the welfare reform debate is how quickly it is moving. Last week, when I was talking in front of the subcommittee of the Senate Finance Committee, I thought it was critical to remind people that they should not lose sight of work-welfare programs in the overall ambition of a larger welfare reform effort.

This week, I think it is particularly important to remind people, given the crescendo of support for work programs, that we should be careful not to overpromise what we can accomplish, that we should keep the rhetoric in line with the funding, and that we should recognize that the success of any effort to reduce welfare with work is going to depend on the overall strength of the economy and the incentives facing welfare recipients.

The programs that I am talking about are, in some sense, a first generation, or dry run, of the core of many of the current welfare reform proposals, which look to replace AFDC with some kind of a vision of a reciprocal entitlement, where to get welfare benefits people would have to participate in some form of work activity in exchange for their welfare grant.

Starting in about 1982, MDRC began working with eight States that were looking to restructure WIN to turn it into more of a mandatory work requirement, and we started evaluations that I have described in depth elsewhere. I will only say briefly that they were large scale in size, that they were implemented in a variety of conditions, and that they addressed the one-third of the AFDC case load which is women with children 6 or over, and not the rest of the case load.

We have completed studies now of programs in San Diego, Calif., Baltimore, Md., and multicounty areas of Arkansas, Virginia, and West Virginia. It is those studies, the results of which I am talking about today. Each of those programs was a particular mix of mandatoriness and services, and the results are from a combination of those elements.

First, we learned that States are doing better now than they have in the past in implementing such programs. They have been successful in getting more people into them, and that is a real change over the pre-1981 WIN story.

Second, I would say, using very rigorous research approaches, we found that in general these initiatives increased employment and earnings and reduced welfare costs. They dispel the notion that employment and training programs for women don't work. In all of the States, with the exception of very special conditions in West Virginia, we found that programs led to increases in earnings of between about 8 and 37 percent. The two exceptions to that overall positive trend were West Virginia and rural areas of Arkansas and Virginia, where there were not increases in earnings—basically, a very weak economy, very rural area—and for the AFDC-U program in California, where we found that there were very limited changes in employment and earnings, but quite substantial welfare savings.

The results also point out ways that one might increase the effectiveness of such programs. For example, we found that they made relatively small differences for the most employable people on welfare, larger impacts for the next group, and there were some hints in the data that, for the most disadvantaged, there may also have been relatively small impacts. We may have to invest more in that group to get more. Finally, we found that overall the benefits outweighed the costs in most of these programs.

So my bottom line on the results is that we have found, from fairly solid evidence across a range of States, that welfare employment programs can make a consistent and measureable improvement in people's lives. If you multiply that by large numbers of people and over time, it takes on considerable significance.

We have also learned from the magnitude of the changes that this is not a quick fix for poverty. That shouldn't surprise us, given the conditions in which programs were implemented, limited funding, and the problems facing the welfare population.

We also concluded that there are a number of unanswered questions, one being, if you invest more, will you get more? In particular, if you make educational and remediation programs available, can you have larger impacts or reach more people? The second question is whether you can expand this experience to the full welfare case load and still have the same kinds of results, particularly if it is expanded to women with preschool children.

There are a number of operational lessons that I will just point to briefly that I think are relevant to any consideration of legislation right now. First, it is going to be important to see that a program's goals are in line with the funding it receives. We should be very careful not to replay the WIN experience of having ambitious expectations not matched by funding.

We should remember that WIN also was intended to require all adult AFDC recipients to participate in some kind of employment and training program; in fact, it was never adequately funded to do that.

Second, we should be careful that the cost-sharing arrangement between the Federal Government and the States and localities provides incentives for States to run these programs. Our studies showed that most of the benefits went to the Federal budget, as well as the Federal Government bearing most of the costs. We should make sure that we don't retreat in 1987, rather than move forward, because we haven't adequately structured the funding.

Third, there is the lesson on targeting. We want to make sure that we don't spend most of the money on the most employable people on welfare.

Finally, I think it is very important to look at more intensive services, particularly something like the GAIN program in California, and find out what the returns will be.

In conclusion, the research suggests that we have had modest achievements from the first wave of welfare employment programs, but I don't think that that caution should deter you from moving forward. On the contrary, I would urge you to use those findings as a foundation on which to construct a new welfare employment system which could avoid some of the mistakes of the past.

Most importantly, I would remind you that funding for WIN expires in June and that action on welfare employment programs is urgent if we are to move forward rather than backwards in 1987. Thank you.

[The prepared statement follows:]

STATEMENT OF JUDITH GUERON, PRESIDENT, MANPOWER DEMONSTRATION RESEARCH CORPORATION (MDRC)

Good morning. I am Judith Gueron, President of the Manpower Demonstration Research Corporation (MDRC). I am pleased to have this opportunity to share with you some of the findings from our five-year, multi-state evaluation of state work/welfare initiatives, and to discuss their implications for the current debate on welfare reform.

In addressing you today, I am struck by the crescendo of support for making work and training the core of any welfare reform effort. Only last week, in testifying before the Subcommittee on Social Security and Family Policy of the Senate Finance Committee, I felt it was critical to remind the Committee not to overlook the positive lessons on welfare employment programs in seeking to meet a broader goal of welfare reform. Today, with the consensus on work programs so resounding, I would like instead to begin with a warning that we be sure to use the lessons of the past to inform what we construct for the future. These lessons suggest that we not overpromise, that we be sure that the funding matches the rhetoric, and that we recognize that the success of any effort to reduce the welfare rolls will depend on the health of the economy and the broader work incentives facing welfare recipients.

Behind the proposals of the National Governors' Association, various study groups, the Administration's GROW program, and a number of legislative proposals is a consensus concerning the responsibility of parents to support their children, and the responsibility of government to help poor and welfare-dependent parents achieve self-sufficiency. While the details differ, the more comprehensive proposals call for strengthening the enforcement of child support, establishing a national minimum welfare benefit, extending benefits to two-parent families, and increasing the income of the working poor.

While the cost and feasibility of these approaches is still being debated, there is a common core in most of the proposals about which we do have solid information gained from several years of careful testing. This can best be called a redefinition of the social contract, whereby welfare programs such as Aid to Families with Dependent Children (AFDC) would be changed from a broad entitlement to a reciprocal obligation between citizen and state. My remarks today are limited to this piece of the welfare reform debate: the work/welfare connection.

The Work/Welfare Response to the Deficiencies of WIN

Since Congress opened the doors to experimentation in 1981, states have tested a number of ways to revise the terms of the AFDC "bargain" and the administrative structure of the Work Incentive (WIN) Program. Because resources were very limited, the changes were relatively modest in scale and design, but they moved in the direction of establishing a reciprocal obligation where, to receive benefits, people would have to search for work, participate in training programs, or accept a "workfare" (work-for-benefits) position. In return, the state would provide the services and supports necessary to allow participation. The programs were mandatory: welfare benefits could be reduced for failure to participate.

Work/Welfare Research: Program Design and Target Population

Since 1982, MDRC has been working with eight states to carefully study their new work initiatives. This project did not evaluate a centrally developed and funded reform proposal, but rather programs designed at the state level. To ensure that the project produced findings of national relevance, MDRC studied states that are broadly representative of national variations in local conditions, administrative arrangements, and AFDC benefit levels. Final results are available on programs serving the urban centers of San Diego and Baltimore, and programs spanning large multi-county areas including both rural and urban Arkansas, Virginia, and West Virginia. At its conclusion, the demonstration will also include full evaluations of programs in Chicago, New Jersey, and Maine.

The population studied is primarily female heads of households who qualify for AFDC, the nation's largest cash assistance welfare program. In most cases, only mothers with school-age children -- about one-third of the caseload -- were targeted for participation. In two states, the study also included male participants in AFDC-U, the welfare program for unemployed heads of two-parent families. In some cases, programs were tested statewide; in others, they were limited to particular cities or counties.

The states used a variety of strategies to link welfare to work. The most common method was job search, either by itself or in combination with workfare. In a few states, limited education and training opportunities were also part of the program. Overall, these were relatively low-cost, short-term interventions. Group job search typically lasted from two to four weeks, and work experience lasted 13 weeks.

Each state's program represented a particular mix of services and a certain degree of obligation. The research addresses the feasibility and effectiveness of the combination of assistance and requirements, and does not separately examine which of the two was responsible for program achievements.

MDRC measured the success of these programs in terms of "impacts." Individuals in the study sample were randomly assigned to two groups. Those in the experimental group were required to participate in the program; those in the control group could not. After a follow-up period, the earnings, employment, and welfare receipt of the experimentals were compared to those of the controls. The experimental group demonstrates the effect of the program upon employment and welfare patterns, and the control group represents the patterns that would occur without a program. The differences between the two are the program impacts.

Findings, Implications, and Open Issues

The findings of these careful studies provide a basis for action in 1987. They show that:

- First, it is feasible to require work-related obligations as a condition of welfare receipt.

On the whole, the states and localities were successful in getting a substantial portion of the eligible AFDC caseload to participate in the required activities. This is a precondition for success and reflects a notable change in institutions and attitudes. It is particularly striking when compared to the participation record of the pre-1981 WIN program, which was unable to establish meaningful work-related obligations for recipients.

However, one should not exaggerate the intensity or scope of this obligation. Activities were limited and generally short-term, reflecting acute funding constraints. Average costs per enrollee ranging from $165 in Arkansas to $1,050 in Baltimore. If the programs are extended to other areas of the state or parts of the AFDC caseload -- or if the typical obligation is made more intensive, for example with extensive education components or long-term participation obligations -- more funding will be needed if states are to avoid the pre-1981 WIN approach of formal registration requirements and little real programmatic content.

- Second, the majority of participants responded favorably to their workfare assignments, and their supervisors considered their work to be valuable.

Workfare jobs were usually entry-level positions in maintenance or clerical work, park service, or human services. While the positions did not generally develop skills, they were not make-work either. Supervisors judged the work important, and indicated that participants' productivity and attendance were similar to those of most entry-level workers.

Among participants, a large proportion responded positively to the work assignments. They were satisfied with the positions and liked coming to work, believed they were making a useful contribution, and indicated that they thought a work requirement was fair. Nevertheless, many participants believed that their "employer" benefited from the program more than they did, or that they were underpaid for their work. In brief, they would have preferred a paid job.

- Third, the work/welfare initiatives increased employment and earnings, and reduced welfare costs.

The results of the study dispel the notion that employment and training interventions do not work. In all states -- with the exception of the very special conditions in West Virginia -- we found that work/welfare programs increased the employment and earnings of women on AFDC.

The percentage of experimentals who held unsubsidized jobs during the study period was greater overall than the percentage of controls with jobs. The program improved the employment of people on welfare in four of the five states for which we have final results. For example, in Maryland, 51% of experimentals were employed at some time during the 12-month study period, compared to only 44% of controls -- an employment difference of 7 percentage points. In San Diego, the employment rate of experimentals over 15 months was 6 percentage points higher than that of controls (61% compared to 55%). This is a 10% improvement.

As a result, the average earnings of experimentals were also higher than those of the control group. Across the four states, average earnings increased from between 8 and 37 percent. For example, during the 15-month follow-up period in San Diego, the average total earnings per experimental (including non-earners as well as earners) were on the average $700 higher than the $3,100 earned on average by the controls. This is a 23% increase overall.

The MDRC results suggest two exceptions to this overall positive picture. First, the pure workfare program in the state of West Virginia did not lead to increased employment and earnings. The rural nature of the state, and its high unemployment severely limited job opportunities. Second, the gains in employment and earnings were not shared by recipients of AFDC-U, the welfare program usually involving the male partners from unemployed, two-parent households. Nevertheless, the work/welfare program was still cost-effective among this portion of the target population.

The results also point to a way to increase the effectiveness of work/welfare programs. The findings show that the most employable people -- new applicants for welfare who have recently worked -- do not gain much, if at all, from the relatively low-cost programs that basically teach them what they already know. With no particular program assistance, many of these women usually stay on welfare only relatively briefly. In contrast, the next group -- women applying for welfare without recent work experience -- can benefit substantially from support and assistance. While more of these women remain on welfare after participating in a work program, their employment rates increase by substantial amounts. Finally, very initial indications are that the relatively inexpensive programs studied so far may not be effective for the small group of welfare recipients who have been on the rolls for years and have very limited skills and work experience. To succeed with this group, we may have to invest more.

Turning to the effect on welfare dependency, overall these programs produced welfare savings that were smaller than the earnings increases. For example, in San Diego, the average savings over 18 months was $288, reflecting an 8% decline over the average $3700 received by controls. In Virginia, there were average savings of $84 per experimental, a 4% difference from control benefits. In the three states with some welfare savings, these ranged from 4% to 11%.

- Fourth, overall, program benefits outweighed costs, for both participants and the state and federal government.

The work/welfare initiatives cost money upfront, but in general the investment paid off in future budget savings in less than five years (and sometimes substantially less). In addition, program participants usually benefited from the programs, since their earnings gains exceeded reductions in welfare benefits and losses in other transfer payments such as Medicaid and Food Stamps.

Moreover, the research produced some unusual findings on the distribution of benefits across federal, state, and county budgets. In San Diego, for example, the federal government bore more than half of the costs and enjoyed the greatest net savings. This finding provides a rationale for continued, substantial federal support for such programs. Had there been no federal funds -- or had there been substantially less -- the state and county would have had no financial incentive to run these cost-effective programs.

Together, these results suggest that work/welfare initiatives can make consistent and measurable improvements in people's lives. Multiplied by large numbers of people and over a long period of time, these relatively modest improvements take on considerable policy significance. However, the programs have not so far led to major reductions in poverty or dependency: this is not a quick fix for poverty or a short-cut to balancing the budget. This should come as no surprise, given the limited funding available, the nature of the programs, the often poor labor markets in which they were implemented, the diversity of the AFDC population and the range and seriousness of the obstacles they face.

In assessing these findings in the context of the current proposals, it is important to recognize what remains unanswered. An important open question is whether more costly, comprehensive programs -- for example, providing more extensive, remedial education or longer, ongoing participation obligations -- would have greater impacts.

Another open question is whether these programs could be extended to a greater share of the caseload without compromising quality, reducing average impact or cost-effectiveness, encountering political or administrative resistance, or raising broader issues of in- or post-program displacement. In particular, we know very little about the extension of work requirements to women with pre-school children. For these women, program costs -- especially those for child care -- would be higher, and program effectiveness remains uncertain. Clearly the evidence of long-term dependency for young, never-married mothers suggests the importance of addressing the effectiveness of services for this group.

- Fifth, a number of quite different ways of structuring and designing these programs will yield effective results.

Overall, the results do not point to a uniform program structure that merits national replication. Instead, one of the notable characteristics of these state welfare initiatives is their diversity -- in population served, local conditions, and program design. A key explanation for the successful implementation of these initiatives may indeed be that states were given an opportunity to experiment and felt more ownership in the programs than they did in the earlier WIN program, which was characterized by highly prescriptive central direction.

Implications for Program Design

As Congress moves to translate the growing consensus on work into specific reform, consideration should be given to other lessons that emerge from MDRC's findings: lessons about the relationship between funding and program scale, targeting and performance standards.

Funding, Scale and Intensity

First, it is important that the expectations about what a program can achieve be consistent with the level of funding it receives. It should be recognized at the outset that if funding is limited, a choice must be made between programs which are large scale but limited in their range of activities, and programs which offer intensive or comprehensive treatment to a smaller proportion of the caseload.

States cannot be expected both to intensify their efforts to improve the employability of their welfare population and to increase the number of people served, unless more money is put into the system. If funding does not increase substantially, despite the new rhetoric on more opportunity and more obligation, states will be forced to operate programs that either limit the number of people they serve, or limit the services they provide. In either case, the outcomes are likely to disappoint those who expect welfare employment programs to "solve" the welfare problem.

Faced with the opportunity to overhaul the welfare employment system, policy-makers should take care not to replay the WIN experience of the 1970s and foster ambitious expectations that are not supported with adequate funding. WIN also was intended to require all adult AFDC recipients with school-age children to participate in training or job search, and to accept employment offers. In fact, it was never adequately funded or staffed to enforce these requirements, and the work obligation existed on paper only. The arithmetic of some of the current proposals suggests we may be repeating this story.

While changes in attitude and performance suggest that we can do better now, additional resources will be necessary to transform this potential into reality.

Cost Sharing and the Federal Role

Second, the cost-benefit studies in MDRC's work/welfare demonstration also provide insights into the cost-sharing relationship between the federal government and the states in welfare employment programs. The findings highlight the importance of continued federal support to encourage states to undertake work programs that may ultimately prove cost-effective but in which the bulk of the savings accrue to the federal government. Moreover, increasing the required state match may prevent poorer states from introducing programs which entail large initial outlays of cash. States which are not able to make up the difference if the current 90/10 matching arrangement were changed to a 50/50 match could wind up with smaller welfare employment budgets than they currently have.

Targeting and Performance Standards

Third, care also needs to be taken to ensure that program funds are not misspent by targeting services to the part of the caseload that is least in need of assistance. The most employable welfare group usually stays on welfare only briefly. It is important that performance standards not encourage program operators to serve this group to the exclusion of the more disadvantaged members of the caseload. Performance measures that place emphasis on achieving high rates of job placements at low costs, for example, are likely to have exactly that effect. Such a strategy may amass impressive performance statistics, but it concentrates limited resources on the people who can probably get off welfare without them and limits the assistance available to those who can most benefit from it.

More Intensive and Comprehensive Programs

Finally, the persistence of dependency and the limited magnitude of the employment and earnings gains in the programs evaluated by MDRC provide a rationale for states to offer more intensive services to move recipients into jobs and off the welfare rolls. A number of states are already doing so, in part by relying on the large-scale coordination of existing service delivery systems. These programs should be carefully tested. While there is some research evidence to show that such approaches can be effective, it is still unclear whether larger investments in education and training have a larger payoff and which segments of the welfare population can benefit the most from such approaches. An ongoing evaluation of the new GAIN (Greater Avenues for Independence) Program in California should provide some of the answers. There is also much to be learned about the resources of time, money, and staffing necessary to plan, coordinate and monitor such large-scale programs.

Conclusion

The relatively modest achievements of the first wave of welfare employment programs under OBRA and the cautions expressed here should not deter you from translating the new consensus on work into action. On the contrary, I would urge you to use the findings as a foundation on which to construct a new welfare employment system which can avoid some of the mistakes of the past and push into new areas. Most importantly, I would remind you that funding for the WIN Program expires in June and that action on welfare employment programs is urgent if we are to move forwards rather than backwards in 1987. While the lessons of the past tell us that work programs cannot by themselves solve the poverty problem, they are important stepping stones -- or building blocks -- on the route to self-sufficiency.

Mr. Pease. Ms. Gueron, thank you very much. That is excellent testimony, well presented.

Next we will go to Walter Speckman.

TESTIMONY OF WALTER J. SPECKMAN, EXECUTIVE DIRECTOR, WELD COUNTY, COLORADO, DIVISION OF HUMAN RESOURCES

Mr. Speckman. Thank you, sir. It is a pleasure to be here, and I appreciate the opportunity.

Mr. Pease. You're the one in the trenches. You are actually running one of these county welfare departments; is that right?

Mr. Speckman. That is not the welfare office, but the employment program that runs the welfare piece of that work for people in terms of getting them into jobs.

Mr. Pease. Okay.

Mr. Speckman. I am Walt Speckman, from Weld County, which is a small county north of Denver, Colo. We have been involved in this kind of program activity there since 1979. It was started under a demonstration project in the Carter administration. We divert people from the welfare system by finding them employment opportunities as an alternative to welfare, and we have worked with applicants and recipients to our system in that format since about 1981. We work with families whose youngest child can be as young as 6 months, and we do it all the time, and we have good success with them. It is an interesting program and concept.

What I wanted to talk today about—and everything about the program is in the written documentation—but to cut this short, what I want to talk about today is something a little bit different than the other folks have been talking about. It is the management of the system we operate.

I think what happens with these programs, and I think the problem you find in the communities with people being concerned about the expenditures on welfare and day care and so forth, ties an awful lot to how we manage our programs. It is a lot easier for us to take a failed program out on the client than it is to take the failed program out on people like me. I would suggest we probably aren't handling our situation exactly right when things don't work.

Let me just briefly go through my written testimony.

In Weld County we consider management to be the problem—not the welfare families—the management of the programs we have and how we effectively help those families to employment. Let me list some of the programs and the different departments they are in and give you kind of a synopsis of the problem.

The Labor Department runs the jobs service under Wagner-Peyser Act, the Job Training Partnership Act, and the WIN program, or half of the WIN program. Health and Human Services runs the community work experience program or a jobs search, work supplementation, the other half of the WIN program. With HUD, we have the self-sufficiency project with the Department of Education, we have the Carl Perkins vocational education, and so forth.

The problem becomes one of when somebody at the Federal level wants to find out why we didn't get any of those people jobs, good jobs, you have to talk to 48 people and after you get done, you're totally convinced it wasn't any of them, so it must be the client. [Laughter.]

Now, this system is also worked that way at the State level. All these departments have begot departments just like them on a smaller basis at the State level. So, if you are a Governor or a member of the legislature there, you get into this conversation and you're maybe talking to 20 people now, but you've got the same problem.

It goes all the way down to the local level. You have the same diversity of programs. So, most of our welfare recipients who are trying to get jobs, the first hurdle they have to face is applying in 58 different places to get basically the same services that are all, because of funding, very limited in nature and exactly the same rather than putting all the funding together and having something that is a little more substantive in terms of helping folks with their problems.

I think that is an important piece to realize. What we have to do is tie authority to an individual or to a department or something that pulls the Federal, State, and local levels and the responsibility of that individual to establish some goals, some productivity measures that are easily measured, and then measure them on a monthly basis to see how they did. I think the employment systems—and I think the diverse employment systems—are not going to do a very good job on the employment side of finding jobs and getting the clients we are talking about today into those jobs. I think it is important to realize that up front in terms of expectations.

If that system isn't going to be set up in some way where it is accountable, I think we could be, with all best intentions, working ourselves into a dead end where if we can't get these people into the labor market at the far end, we are going to be in trouble. That is a system problem more than it is a problem with the folks we're working with.

I think in Weld County we have identified clearly that they want to work, they're capable of work, they will do a good job, and they will work well with the employer if we just get some of the hurdles out of the way so they can get there.

Let me skip through to my recommendations just real quickly. We are suggesting that at the Federal level and on through, that somebody be put in charge, and we think it clearly, at the Federal level or the employment side of this discussion, should be the Department of Labor, not without restrictions and goals and measureable kind of things, but you don't want every department of the Federal Government out developing jobs for the same clients.

The same thing should happen at the State and local levels. That is the essence of having those departments try to have that happen below them. They certainly have been able to get a system that looks just like them now. Maybe if they changed, we could have one through the State and local levels that is changed as well.

The second is that the programs that have to do with the supportive service nature of welfare work should all be housed in one location as well. Health and Human Services seems the obvious place to put that for coordinating those things.

The third recommendation that I have is talking about a system that is already in existence that works fairly well. That is the 1115 waiver process that Health and Human Services and Social Security operate to allow flexibility for States to experiment with different programs and different ways of doing business in terms of helping welfare recipients to get meaningful employment.

In whole, the process is good, but it needs some changes. It is set up as a research and demonstration model. So after a period of time—and three years is as long as they go—if you have found something that works, it dies or you have to put together that looks so much like it it's embarrassing and find you're doing another research study—it's a way to have another research study done of the thing that you did for the last three years. Weld County is in that process right now.

We think there ought to be some way to institutionalize things that the Federal Government and the State government and the local governments all agree seem to be working. At this point in time there is no method to do that, and hopefully, the reform effort will address that in some way because I think we have got an awful lot to learn in this field. I think we have come a long, long way, but I think the need to do research will go on, and when we find things that work, we have to have a method to keep using them.

I think those are the things that I wanted to cover.

One quick story on Mr. Ford's question about AFDCU. Colorado is a State that just got out of the AFDC-UP program a couple of years ago. It was very interesting. The bill was in the legislature and was sailing through to basically kill the program. The concerns were money and case load and fraud and abuse and et cetera. The commissioners in Weld County, who are from a conservative county and on a bipartisan basis are as conservative group as you will find in Colorado or maybe anywhere—and I think they would stand here and say that too—wrote a letter to the Governor saying, "Veto that. You want to keep the AFDC program. The problem is not the program. The problem is the way Colorado manages the program."

Well, of course, the Governor went ahead and signed the bill, and the program was dead. But I think that if the program is managed well, you don't face the issues in terms of is this waste, fraud, abuse, costing too much and so forth. At the time our county had been working with our program for a long time, there were 15 households on the two-parent household program, down from a high of the year before of 115 households. Our commissioners would argue that those 15 households deserve and need to be on that program at that point in time. The rest of the State had case loads that were much larger, and therefore their commissioners were saying just the reverse, "Let's get away from this thing."

Management rally is the key issue in this thing, and if we are going to meet expectations and take this challenge and do some serious work with it, I think we have to set ourselves up structurally so we can do a decent job in the first place.

Thank you, sir.

[The prepared statement follows:]

Submitted by:

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Employment and Training Programs for Welfare Applicants and Recipients

Executive Summary

Weld County has seen the increasing welfare caseloads as a management problem and, on a secondary basis, as an economic/social problem.

A. Management Problems

The goal to correct management problems is to focus available resources in an efficient and effective manner on the identified problems, i.e., moving welfare applicants and recipients to employment.

1. Federal Management Effort

Currently the federal government provides a number of programs to assist potential employees to find employment. Some are targeted specifically to welfare clients and others have a broader target population. A list of the more prominent efforts is as follows:

Department	Program
Department of Labor	Job Service under the Wagner Peyser Act
Department of Labor	Job Training Partnership Act (JTPA)
Department of Labor and Health and Human Services	Work Incentive Program (WIN)
United States Department of Agriculture	Food Stamp Job Search
Health and Human Services	Community Work Experience Program
Health and Human Services	IV-A Job Search
Health and Human Services	Work Supplementation
Housing and Urban Development	HUD Self Sufficiency
Department of Education	Carl Perkins Vocational Education Programs

The problem here is not the multitude of programs, for each has a role and provides resources to accomplish the same activities. The problem is the management of these programs and resources.

At the federal level these programs are run by a number of departments with their respective program staff. Thus, the national ability to target on any group or situation is lost. Having different departments operate separate programs results in a multitude of staff at the federal level.

The states are in essence forced by the federal departments to keep similar programs and services separate at the state level. This prevents management and policy decisions that would make better use of resources.

As the ever smaller amount of dollars are passed through to the local level (county and city governments), both the state and federal bureaucracy press for separate local programs to justify their state and federal structures.

As the programs reach the locally elected officials, the funds have been substantially reduced by the administrative overhead and staff costs required by federal and state departments. The control and management of the funds have been split between different departments, agencies, and layers of government.

Given the current method of management, elected officials at the federal, state, and local levels, in concert or not, will find their best efforts to drive a policy for obtainment of employment for welfare applicants and recipients inefficient and ineffective. Authority with responsibility, which is good basic management, has been structurally removed by the multiple authority provided to departments. It results in departments not having to accept responsibility for overall performance.

The federal government through the Department of Health and Human Services and the Social Security Administration maintains the rules that govern what can and cannot be done within the welfare system in the "welfare to work" effort. Federally, the Department of Labor maintains the rules and responsibilities for putting the unemploymed and economically disadvantaged to work. This includes putting the welfare applicant and recipient to work.

Currently, the Health and Human Services Department is confusing its role with that of the Department of Labor in the management and operation of employment and training programs. This confusion in roles is a management problem brought about by separate departments trying to accomplish the same goal. The Department of Labor needs to have the sole authority and responsibility to manage programs to meet the goal.

- Recommendation #1:

At all levels of government, give one department director the authority to manage these programs and the responsibility to meet the goals established by the elected officials who supervise or are responsible for the department director. The Secretary of the Department of Labor should be given the authority to manage these programs at the national level.

The results will be:

(1) more resources intended for clients will actually reach them.

(2) improved performance (moving welfare clients to self sufficiency via employment) due to the responsibility being fixed on one director and department.

2. State and Local Management Effort

Through the assistance of the federal government, the focus to improve the management of resources and programs for the benefit of the welfare applicant and recipient should extend to state and local governments. The problems discussed under the federal level, need to be resolved as well at the state and local levels.

- Recommendation #2:

The Federal Government should encourage the State and Local Governments to organize their administrative structure with single departments given (1) the authority and responsibility over all the employment efforts and (2) the authority and responsibility over all the social services/support programs, i.e., welfare, medicaid, Day Care programs.

This would allow Federal, State, and Local Governments to establish performance standards and monitor the specific entities who have the authority and responsibility to meet the standards.

B. Assisting the "Welfare to Work" Effort

A process currently exists within the federal government which can encourage better management through the creative use of program resources and can help support one national department to accomplish the goal of obtaining employment for the welfare applicant and recipient. This process is the eleven-fifteen (1115) waiver process under the Social Security Act.

Changes to present programs and laws can be accomplished through a combination of federal statute and regulations, as well as, through the 1115 waiver process. This process can result in state and federal statute and regulation changes that will provide creative and more efficient use of resources. Barriers to combine or merge structures, resources, and procedures can be eliminated and a better managed system can emerge. At the same time, this system maintains and should continue to maintain the protection of individual rights under law. In whole, the process is good but requires changes.

The 1115 process needs modification to work more closely with employment programs to reach work goals for the welfare applicant and recipient. The 1115 waiver process allows states to, within federal statute, change the rules of the welfare system to experiment and hopefully find better ways to perform the various programs under Health and Human Services, as well as, Social Security. This is an especially critical tool for the welfare and work effort. Some of the problems with the 1115 process that need attention are:

1. The time to process and approve the 1115 requests must be shortened.

2. The 1115 experiments are only for 3 years, with no process to institutionalize approaches that are successful. These 1115 experiments should be institutionalized.

3. The research requirements surrounding the 1115 process can limit program options and should be changed to eliminate this barrier.

4. States are limited in the number of creative options they can design, i.e., only three (3) waivers through the 1115 process per state. The limit should be expanded.

   The process should be supportive of the attempts of the Department of Labor in order to meet the goal of employment for welfare applicants and recipients.

* Recommendation #3:

Establish a new process by which states and substate regions can, within federal statutes, experiment with ways to move welfare applicants and recipients into employment and self sufficiency. The Department of Health and Human Services and Social Security Administration should approve these experiments in advance; monitor, with the states, their successes and failures; and adjust the experiment to assure success. At the end of the experiment, the state, with federal approval and assistance, should have the right to institutionalize the components of the experiment that have been successful.

In this way, Health and Human Services and Social Security Administration can assist the Department of Labor's efforts to move welfare clients to jobs and still maintain the role of protecting the individual rights under the law.

Narrative Text

The Narrative Text outlines the description of the methods used by Weld County to integrate programs; a summary of the relationship of major employment, training, and supportive services programs to be offered in Weld County; statistical summary of Aid to Families of Dependent Children (AFDC) in the State of Colorado; results of the Welfare Diversion Program in Weld County; and the history of the Welfare Diversion Program.

A. Description of the Methods Used by Weld County to Integrate Programs

The Weld County Commissioners and the Weld County Private Industry Council were concerned with the rising caseload of Aid to Families of Dependent Children (AFDC) and its associated rising cost to the county.

Employment, training, and social service systems were inflexible, worked independently from one another, and were not very responsive to the needs of the county. These systems supported independent programs (staff, administration, and services) that resulted in duplicate efforts and a failure to focus funds to the applicant and recipient of welfare.

The Weld County Commissioners and the Weld County Private Industry Council began to identify what existed in programs and services; sought input at the national, state, and local level; and identified problems and solutions in putting the applicant and recipient of welfare to work.

The process and decisions that Weld County had to undertake were:

1. Planning Process

The first step was to identify who should be included in the planning process with the Weld County Commissioners and the Weld County Private Industry Council.

Those included were representatives from the state and local levels of the Colorado Department of Labor and Employment, the Colorado Department of Social Services, and the Governor's Job Training Office. At the local level, representatives from county-operated programs were included from the Weld County Department of Social Services and the Weld County Department of Human Resources/Employment Services of Weld County.

A plan was developed. The programs and activities were to be merged under one single delivery system, which would be operated through the Weld County Commissioners. Specifically, the operation of the employment and training systems would be under one local administrator through the Weld County Division of

Human Resources/Employment Services of Weld County. The support services system would be under the Weld County Department of Social Services in close coordination with the Weld County Division of Human Resources/Employment Services of Weld County. The outcome of a single delivery system would be a total system that would focus on assisting the welfare applicant and recipient in seeking and obtaining unsubsidized employment.

2. County Negotiations

The Weld County Commissioners and the Weld County Private Industry Council met with state agency directors and negotiated contracts, agreements, waivers, or plans that would support the Weld County Commissioners being the administrator for all programs and services. This was necessary to transfer the administration of the state-run programs to county-run programs, to alter staffing needs and to change how resources would be spent within the county.

This process required the support of the political community, and the national administration in the negotiation, law change, and waiver request submittals on behalf of Weld County.

B. Relationship with other Programs and Agencies

The types of relationships with other programs and agencies are described below:

1. Work Incentive Program and the Work Supplementation Program: Weld County has elected not to operate the Work Incentive Program (WIN) and the Work Supplementation Program. More effective diversion of applicants can be accomplished with the Welfare Diversion Program and other programs as outlined in the Employment Services Plan. No state or local operator will operate these programs and compete with the Weld County programs.

2. Community Work Experience Program: Weld County has requested waivers under this program so it may be operated with recipients of AFDC in a training/classroom component. The program would be operated by the Employment Services of Weld County.

3. Job Service Center: The Job Service Center is a program administered and operated by the Employment Services of Weld County.

4. Job Training Partnership Act: The Job Training Partnership Act is a program administered and operated by the Employment Services of Weld County.

5. Food Stamp Job Search Program: The categorization of food stamp participants is made by the Weld County Department of Social Services. The Job Search activities will be accomplished through the Employment Services of Weld County.

6. Employment Search (IV-A Job Search): The categorization of mandatory recipients (with children six years of age and over) is made by the Weld County Department of Social Services. Weld County will not provide a mandatory program for applicants. The employment search activities will be accomplished through the Employment Services of Weld County. Operations for the Food Stamp Job Search Program and the Employment Search Program will be merged whenever possible.

7. HUD Self-Sufficiency: The determination of eligible applicants and the administration and operation of the program will be accomplished through the Employment Services of Weld County.

The authority for all employment and training of Welfare applicants and recipients and the responsibility for its operation and direction rests with the Employment Services of Weld County. The success for such a program can be measured by watching the reduction, stability, or increase of the welfare caseload.

C. Results of the Weld County Welfare Diversion Program

The offer of a job under the Welfare Diversion Program is a viable test that eliminates applicants who are not really available for work or may have other alternatives besides welfare and choose those options rather than the job offered through the program.

The most critical test to determine the success of the Welfare Diversion Program is the reduction in the size of the welfare caseload. The following chart reveals the decrease in Weld County's AFDC/AFDC-U caseload versus the State's increase in caseload. It should be noted that Weld County unemployment rates have the same or higher than the State unemployment rates since 1980.

Weld County vs. State of Colorado
Comparison of 1982 and 1986 Annual Average Caseloads

	1982 Annual Average AFDC/AFDC-U Caseload Size	1986 Annual Average AFDC Caseload Size	% Increase/ Decrease
Weld County	1,323	1,295	(2.16%)
State of Colorado	26,584	28,316	6.52%

Estimated Total (Federal, State, Local)
Savings for Weld County on a
July 1 to June 31 Fiscal Year

1982 - 1983	$1,350,211
1983 - 1984	1,557,159
1984 - 1985	1,193,712
1985 - 1986	950,046

A 1985 University of Colorado at Denver report providing information on 176 individuals who entered the Weld County Welfare Diversion Program prior to June 1985 revealed that they have positive attitudes regarding the program.

Regarding the mandatory nature of the program, over 86% of the clients thought it was "very fair" or "fair" to require their participation in the Welfare Diversion Program. The clients (83%) also support the program's purpose and reject the notion that the program punishes those who apply for welfare.

In addition, 80% of the clients expressed the opinion that the Welfare Diversion Program was worthwhile. In summary, the report states, "No matter how the data is broken down, every sub-group of clients includes a strong majority concluding that the program is worthwhile."

D. Facts and Figures - Colorado

The State of Colorado spends General Fund monies to support 30% of the direct public assistance aid to persons receiving Aid to Families of Dependent Children (AFDC). The Federal government supports 50% of this public assistance aid, while local governments contribute 20%. Currently, in Colorado, the average length of time that a household receives AFDC is twenty-four (24) months.

The annual unemployment averages and the rate of participation in the labor force for Weld County and Colorado are described in the following charts.

Annual Unemployment Average

	Weld County %	State%
1980	6.9	5.9
1981	6.1	5.5
1982	7.4	7.7
1983	6.6	6.7
1984	6.0	5.6
1985	6.7	5.9
1986*	8.0	7.1

* Preliminary estimates provides by the Colorado Department of Labor and Employment

Labor Force Participation Rate
(1980 Census)

Weld County	State
67.4%	62.9%

E. History of Welfare Diversion Program

Year	Description
1979	Weld County was one (1) of fifteen (15) sites selected nationally under the Employment Opportunities Pilot Project. A partnership was formed with the state and local governments. The Employment Opportunities Pilot Project (EOPP) was a project to test a specific model that had as its goal to move welfare recipients into unsubsidized employment.
1979	State operated Job Services and Work Incentive (WIN) Programs were merged with the county-operated Comprehensive Employment and Training Act (CETA) and the Employment Opportunities Pilot Project (EOPP). All programs were to be administered by Weld County.
1981	After much research, development, and testing, the current Weld County Welfare Diversion Program was structured. The program began with diverting the head of household of a two parent public assistance family (Aid to Families with Dependent Children of Unemployed Heads of Households). The program not only worked with recipients but also applicants so the applicant could be diverted from public assistance.
1982	Colorado House Bill 1093 - Welfare Diversion Legislation The bill granted authority for Colorado counties to implement an eight week Welfare Diversion Program designed to provide temporary employment. In addition, participants would receive training in job seeking and job holding skills. The legislation also allowed the Welfare Diversion Program to be financed by the state's share of the welfare grant in the amount the individual would have received from public assistance. Weld County was the only Colorado county that opted to implement the Welfare Diversion Program.
1982	The Weld County Welfare Diversion Program for single parents of Aid to Families of Dependent Children (AFDC) was developed and began operations.
1983	Colorado House Bill 1394 - Weld County Welfare Diversion Waiver Legislation The bill expanded the Welfare Diversion Program to include mandatory participation of single parents who had children six years of age and over (similar to Work Incentive Program requirements). The bill also would redirect the AFDC grant to the Welfare Diversion Program rather than directly to the participant. This would provide state and federal financial reimbursement to the county. The bill would furnish Medicaid for the participants and provide an evaluation of the program.

Year	Description
1984	The Welfare Diversion Program began operations under Colorado House Bill 1394 and through federal waivers. The waivers included: 1. Medicaid (50% Federal and 50% State Shares) 2. Workmen's Compensation (50% Federal and 30% State Shares) 3. Federal share of the public assistance grant (50%) 4. Mandatory participation of single parents of AFDC who had children six years of age and over 5. Sanction capability to provide for the children's needs through welfare benefits and exclude the single parent when the parent refuses a job or to participate in the Welfare Diversion program as required 6. Evaluation of the program
1985	Colorado Senate Bill 25 - Weld County Welfare Diversion Waiver Legislation The bill allowed the Welfare Diversion Program to include mandatory participation of single parents who had children six months of age and over. The bill required federal waivers.
1986	The Welfare Diversion Program began operations under Colorado Senate Bill 25 and through federal waivers. Waivers included all waivers under House Bill 1394 with the following modification and additions: 1. Modified the mandatory participation of AFDC single parents. Mandatory participation was extended to single parents who had children six (6) months of age and over. 2. Extended the federal reimbursement (50%) to include activities that would divert the single parent from public assistance, including On-the-Job Training or a combination of programs.
1987	Colorado House Bill 1288 - Job Alternative Program The bill allowed any Colorado county to apply for federal waivers to implement a program for single parents under AFDC. The bill allowed counties to submit a plan that would outline a county plan to move the AFDC applicant and recipient to employment. The plan would be submitted to the Colorado Department of Social Services in order to:

Year	Description
	1. Receive technical assistance in merging/coordinating employment, training, and social services programs from State Departments. 2. Obtain waivers to operate the plan. 3. Operate a Welfare Diversion Program and obtain waivers to operate a program similar to the Weld County program. 4. Submit waivers to operate a Community Work Experience Program that would require classroom participation for the AFDC parent rather than work experience. 5. Allow counties operating a Work Incentive (WIN) Program the option to chose which mandatory program the county would like to have the AFDC single parent enter first. Currently, counties operating WIN must register mandatory single parent households in WIN first, regardless of other options such as the Welfare Diversion Program.
1987	Colorado Department of Social Services sends waiver package titled, Colorado Jobs Demonstration Project, to the federal level. Waivers included: 1. Waivers to operate a mandatory Welfare Diversion Program such as Weld County 2. Waivers for the Community Work Experience Program 3. Waivers for the Work Incentive Program
1987	Weld County and other counties submit plans to the Colorado Department of Social Services under the Job Alternative Program. Weld County submitted a plan to the Colorado Department of Social Services to continue the operation of a mandatory Welfare Diversion Program for single parents who have children six months of age and over with all the related waivers. Weld County also submitted a waiver request for the Community Work Experience Program.

Mr. **Pease**. Thank you very much.

Mr. Sklar?

STATEMENT OF MORTON H. SKLAR, CONSULTANT AND FORMER DIRECTOR, JOBS WATCH

Mr. **Sklar**. Thanks very much. Just as the person who testified before me, my purpose in coming here is to give you a very practical view about some of the issues that you are going to be confronting in developing welfare reform proposals. That would specifically be with respect to the evaluation of some of the early findings on the GAIN, Greater Avenues for Independence program, in California.

GAIN is a terrifically important program for Congress to be considering. One reason is that it embodies so many of the elements that you are debating right now in terms of welfare reform. We had a chance to review the GAIN program through the Coalition on Human Needs, whose director, Susan Rees, testified before you just a few minutes ago.

What I was able to see when I reviewed GAIN tells a great deal about what works and what doesn't work in terms of the welfare reform proposals that you are considering.

I will try to shorten my testimony as much as possible given the time limit. I think GAIN deserves a lot more attention than just 5 minutes, but I will be glad to talk with you another time about it.

Mr. **Pease**. Sure.

Mr. **Sklar**. What GAIN does that is especially important is that it combines a variety of training initiatives, training approaches, as well as a fairly comprehensive and stiff work requirement, just as you are considering doing or other congresspeople are considering doing.

It also adds a significant amount of new money at the State level which indicates an important consideration that Congress is concerned about, "Can it work without additional money?" California is providing some of those funds. It tries to give an important emphasis to child care, and it attempts to cover the entire recipient population, something that Judy Gueron just mentioned before as one of the leading questions, "What happens when you try to cover the entire recipient population? Can it be done with good effect," whereas so many of the demonstrations are more limited in scope.

I will just try to summarize very briefly what we saw in GAIN. The first thing that we saw was that there are some very positive elements to the program. Ms. Gueron, of MDRC, asked one other important question that relates to that first finding, and that is, what happens when you provide more emphasis to the remediation effort. GAIN attempts to do that in a very significant way. It makes remediation activities mandatory for all recipients that need it. All recipients that are tested and those with deficiencies are provided with remediation assistance before anything else is done.

My review found that in fact Fresno County, which was the county that was farthest along in terms of GAIN implementation at that point, was trying to do a conscientious job of academic remediation.

Another important finding about Fresno County was that they were emphasizing the more effective, more desirable elements of work and training requirements, and deemphasizing long-term workfare and fruitless job search. Then emphasis related primarily to remediation and training.

But at the same time—and this is the important point that I want to leave you with, if there is time for just one point—even with the best intentions, and even with additional State money to try to make the program work, GAIN in Fresno County was running into substantial problems in terms of carrying through on those commitments.

The most serious problem was that even though it had more State money, it did not have enough resources to do everything it was trying to do. Remedial education slots that were needed were substantially more than anybody had bargained for. Seventy percent of those people on welfare rolls were requiring remedial education as a result of testing. That was considerably more, maybe 20 or 25 percent more, than GAIN had the resources to provide assistance to.

A second important breakdown was the provision of child care and supportive services. Despite the new State money, they were having some significant problems in getting those supportive services and child care requirements organized and directed towards GAIN participants.

Part of the problem, which is a third area of difficulty that I saw, related to the fact that there were coordination difficulties between the various agencies involved with GAIN. The Department of Social Services and the Department of Education were not cooperating in providing these different services. Instead they were fighting about them. The Department of Education was saying, "No, we won't pay for child care. No, we won't pay for remedial ed," even though that was part of the GAIN bargain. Those were some significant problems.

There were also coordination problems between the State and local level administrators, sometimes within the same agencies, in terms of developing testing procedures and other kinds of policies relating to GAIN implementation.

One result of all these difficulties was that there were substantial backlogs and delays in the processing of recipients. There was a whole range of reasons for that. But the most important fact was that things were going much slower than anyone anticipated. That is an important factor because it suggests some of the implementation problems that a welfare-to-work program will have to face.

If you put all these things together, what you come up with—and it is my major suggestion and recommendation to you, and it relates to Ms. Gueron's question about the comprehensive coverage of all the recipients—is that unless there are substantial amounts of new money, and I mean many more than the 50 percent increase that the State of California was providing to GAIN above and beyond what was available before, unless there is that new money available—and it does not seem likely, given the current climate with the budget—it is not possible to have a comprehensive coverage program. You are much more likely to produce good results by targeting welfare reform efforts to a smaller number of recipients either by making it voluntary, or by concentrating efforts on those that are most in need of service, the longest-term recipients who would benefit the most by the training.

The necessity of targeting resources and limiting coverage is the most important finding from GAIN right now at this early stage.

A second principle emerging from the GAIN experience is to aim at the people who are most in need. I mentioned the fact that in order to produce the most benefits, you have to deal with the people who have been on the welfare rolls the longest.

I also would urge you to concentrate on an area that has not been given enough consideration in these hearings and in the welfare reform debate generally. That is the problem of youth. The youth area is one that deserves a great deal of special attention. When we talk about welfare reform, if there is one thing that we can do to improve the welfare system in a preventive way, it is to try to keep the youngsters who are likely to find themselves welfare-dependent from reaching that stage. Not enough is being done in this area at all.

I will point out to you that one of the big breakdowns as far as that is concerned is the Job Training Partnership Act. I just finished a review in Virginia, the first statewide review in the Nation that has been conducted. JTPA is falling down very badly in meeting the needs of at-risk youth. Forty percent of JTPA's funds are supposed to be geared to youth. But it is not getting to youth in targeted programs.

There are several other principles that I just would touch on in conclusion since I am running out of time. One is the importance of concentrating on the most effective remediation and training approaches, rather than relying on long-term workfare that doesn't really produce any benefits.

Let me offer you one radical suggestion in conclusion.

Mr. **Pease**. We always have time for radical suggestions. [Laughter.]

Mr. **Sklar**. Good. That would be to take the 40 percent JTPA youth money that now is largely going to waste, from the evaluations that I, Grinker, Walker and other analysts have made, and fold that money into a new Federal program targeted exclusively to the training needs of high-risk youth. I think it almost borders at least on delinquency, probably criminal negligence, that the United States at this point in time does not have a youth employment program. What it does have is the 40 percent money in summer youth. Summer youth is very limited in what it can do and what it tries to do. If we take that 40 percent money as a start from JTPA and try to develop a new youth-targeted program, I think we would go a long way towards trying to deal with some of the preventive approaches to welfare reform that deserve to be an important part of the package that you are developing.

Thanks for this opportunity to testify.

[The prepared statement follows:]

Testimony

on

The Operation and Impact of California's Greater Avenues for Independence Program (GAIN)

Presented by

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Before the

Public Assistance and Unemployment Compensation
Subcommittee of the House Ways and Means Committee

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Appreciation is expressed to the Coalition for Human Needs for permission to prepare and submit this testimony on the operation of the Fresno County, California GAIN Program, prior to the issuance of the Coalition's formal evaluation report on Fresno County's job training programs, expected in late March or early April of this year.

The Coaltion has been engaged in an assessment of the adequacy and impact of a variety of federally assisted programs (including job training, social services, education and community development) in selected states and localities throughout the United States. The emphasis of their analysis is how the shift from federal administration of these programs to a system of greater state and local control through block grant funding has affected the delivery of assistance.

The Operation and Impact of the Greater Avenues for Independence Program (GAIN)

by

Morton H.Sklar

Members of the Committee:

My name is Morton Sklar. As former Director of Jobs Watch, a public interest project in Washington, D.C., monitoring job training and welfare-to-work programs nationwide, I have had the opportunity to become familiar with, and evaluate, a variety of initiatives aimed at helping the long-term jobless become more employable. This past year I conducted the nation's first statewide evaluation of the Job Training Partnership Act (JTPA), covering the State of Virginia. I also have worked closely in California with the Western Center on Law and Poverty on a variety of job training issues. Last year I assisted them in analyzing the GAIN legislation when it was first being considered by the State Legislature, and testified before the California Legislature on its adoption.

More currently, and of particular interest to this Committee, I recently completed a one-week, on-site assessment of the implementation of the GAIN program in Fresno County, as part of an effort by the Coalition for Human Needs to assess the adequacy of federally assisted job training programs in that county. Because it is one of the very first intensive assessments of GAIN, and because it took place in the county where the program has been in operation for the longest period of time, I believe these early observations and findings will be of particular interest and usefulness to you as you consider options for reform of the federal welfare program.

Fresno's experiences provide us with a great many invaluable insights about the kinds of policies and procedures that are most likely to produce positive results, as well as those that do not appear to be as successful in achieving the objectives of the GAIN statute, and of welfare reform more generally. Because GAIN provides us with a model of how many of the welfare reform approaches that currently are being recommended to Congress would work in reality, this early evaluation of GAIN's operation and impact can be one means for assisting Congress in determining the most promising directions to take in developing a framework for welfare reform, and for identifying the kinds of issues and needs that must be addressed if an effective welare-to-work program is to be created.

In the brief time that has been alloted for speakers at this hearing it is only possible to highlight a few of the most important observations and issues that emerged from my review of GAIN. A more detailed review of the Fresno GAIN evaluation will be available when the Coalition on Human Needs issues its complete report this Spring. A copy of that report will be made available to this Committee as soon as it becomes available. In addition, I would be pleased to discuss my findings and recommendations with you and your staff in more detail at your request, and hope that there will be other opportunities to work with you in helping to promote the kind of effective welfare reform initiative that we all are seeking.

Among the most important findings that emerged from the review of the GAIN program in Fresno County are the following:

1. Several Effective Policy Directions are Being Taken.

Fresno is attempting to build on some of the basic principles embodied in the GAIN legislation in some very positive ways that provide an excellent model for other counties that are just beginning to organize their GAIN efforts and to select the policies that will serve as a framework for their activities. The most important are:

a. A real commitment is being made to emphasize the remedial education opportunities mandated in the statute. The GAIN legislation recognized that chronically unemployed people with serious literacy problems must be provided remedial education in the basic academic skills before they can benefit from other kinds of training and increase their chances of becoming and remaining employed in any meaningful way. For this reason, the statute mandated that basic skill remediation assistance be made available to all recipients that need it, before any other types of training or job search activities were required.

Fresno is taking this mandate seriously, and is attempting to apply applying it consciencíously. Approximately 50% of new assistance applicants are being identified through testing as having serious enough literacy or English as a second language deficiencies so as to require remediation assistance. For those already on the assistance rolls the proportion of those requiring basic skill remediation is even higher -- approximately 70%. Fresno is doing its best to meet this need, although (as is noted in section 2, on pages 7 and 8 of this testimony) it is running into some serious barriers that are limiting its ability to carry out the remedial education mandate effectively.

b. Fresno is taking a positive approach by emphasizing the training of recipients, and minimizing potentially punitive (and less effective) elements such as long-term job preparation (workfare).

Fresno's commitment to carry through on the GAIN statute's requirement that remedial education be provided to all those who need it is just one indicator of the County's willingness to emphasize the training aspects of the program, and avoid those elements, such as long-term job preparation (workfare), that tend to be more punitive. It is significant in this regard that the county's GAIN plan sets a target figure of only 4 % of recipients who are expected to be assigned to workfare on a long-term basis.

Another important indicator of Fresno's intention to make GAIN as legitimate and effective a training program as possible is their policy to not terminate the benefits of any recipient who is unable or unwilling to participate in the program. The sanction of money management for a limited period is imposed on non-compliers. But the more serious sanction of termination is substantially downplayed, for the very practical reason that the County realizes that it has far more recipients than can be served effectively with the resources that are currently available. Consequently, the County would rather target resources to those who are willing to participate, than waste the time and resources that would be required to go through the lengthy and complicated termination process in order to deal with instances of adament non-compliance.

Fresno County is not the first jurisdiction administering a welfare-to-work program that has reached the conclusion that a more voluntary approach, emphasizing the provision of assistance to those most able and willing to receive it, is the most productive course. This same philosophy is an essential ingredient of the Massachusetts Employment and Training Choices program. Michigan's Self-Reliance Program takes a similar approach.

Still open to question, however, is how sympathetic the State GAIN program administrators, and this Legislature, will be to Fresno's policy of limiting the imposition of sanctions, and targeting resources on more willing participants. This approach is certainly consistant with the statute's mandate to concentrate resources on those most in need, especially where the entire recipient population can not be served as a practical matter. But it still may be rejected by those who would prefer to emphasize the mandatory aspect of the program, irrespective of the reality of limited resources. That is an issue that has not yet presented itself for Fresno County. As it currently stands, their approach to the mandatory participation requirement serves as a very useful model to other California counties facing the practical problem of having to deal with many more recipients than can be effectively served at the current level of GAIN funding.

2. Despite Fresno County's Good Intentions and Effective Policy Approaches, Some Significant Implementation Problems Have Developed that Seriously Impair the Operation and Potential Value of the GAIN Program

Despite the positive policy framework that Fresno has adopted for its GAIN program, a number of significant problems have developed that seriously reduce the program's effectiveness, and put into question its ability to fulfill its goal of improving the job prospects of the welfare population. Among the most important are:

- o Insufficient funds to provide adequate amounts of promised (and necessary) assistance and services;
- o Breakdowns in the provision of critical supportive services such as child care and other work related necessities;
- o Inadequate job openings for newly trained participants, with the result that recipients are likely to remain unemployed and on the assistance rolls, despite improvements in their job skills and employability;
- o Serious problems in the intake and early processing portions of the program that have caused massive backlogs and damaging delays in the administration of key program elements; and,
- o Major coordination and communication problems between the state and local officials responsible for handling different aspects of the program.

a. Insufficient resources have been made available to provide the promised (and necessary) assistance and services.

There are several key indicators that the $10.8 million made available to Fresno County under GAIN for fiscal 1987 is not adequate to meet the goal established by the GAIN legislation of having every employable welfare recipient participate, and receive assistance adequate and suitable to their level of need. One of the most significant indicators of this funding shortfall is that a substantially greater proportion of welfare recipients are being found to have basic skill deficiencies requiring academic remediation than had been assumed to be the case. GAIN officials initially estimated that up to 50% of recipients would need remedial education. In fact, over 70% of those already receiving welfare (compared to 50% of those newly applying for aid) have been found to require this assistance. Since remedial education is one of the more expensive and time-consuming program elements, this means that either there will be a major budgetary shortfall, or fewer recipients will be able to recieve remedial assistance than had been anticipated.

GAIN officials in Fresno sought to downplay this problem, claiming that additional state funds would be made available for this purpose as was required. But other state officials do not agree that the problem can be remedied this easily, in view of the legislative limitation that has been placed on overall state expenses. They point out that the only way that GAIN's budgetary allocation can be increased beyond what is currently planned would be for other programs to be cut, a result that is not viewed as being easy to accomplish.

Another indicator of the budgetary inadequacy problem was the controversy that was taking place between GAIN officials and those of the State Department of Education. Department of Education officials have refused to increase their contribution to remedial education activities under GAIN beyond the amount that would have been provided to welfare recipients in any case under existing adult education programs. They claim that this policy is necessitated by the average daily attendance (ADA) formula under which they operate. Because of the ADA policy, additional funds can not be made available until the existing cap, which is determined by the ADA formula, has been exceeded.

The policy conflict between GAIN and the Department of Education regarding funding has limited the resources that have been made available to provide the remedial education services called for under GAIN. It also has prevented contracting for the provision of such services through private providers. SER/Jobs for Progrss, for example, one of the principal employment service providers operating in the Hispanic community, was told that plans for the inclusion of remedial education activities in its contract would have to be dropped until the controvery between GAIN and the Department of Education could be resolved.

Another manifestation of the funding shortfall problem was the claim made by one of the major service providers (contractors) under GAIN that the Department of Social Services failed to request funding in its budget to cover payements to employers to cover on-the-job training assignments. According to this contractor, planners allocated funds for the administrative side of OJT activities, but "somehow forgot to include payments to employers to cover the OJT salaries of participants." As a result, he reported that all OJT assignments under GAIN have had to be put on hold.

What is most disturbing about the funding difficulties Fresno County has experienced under GAIN is that for other California counties trying to operate GAIN programs (and for Fresno County itself in future years) this problem is likely to become be much worse. GAIN officials in Fresno were proud of the fact that their fast action in getting their GAIN program plans approved and underway meant that they were able to obtain a fairly large share of the funds available under GAIN in its first program year. Fresno has been allocated $ 10.8 million of the $ 31 million allocated statewide for fiscal 1987. As more counties begin to implement GAIN (and many more are now expected to do so than had been initially planned), the likelihood is that even with higher annual funding limits for the program as a whole, individual counties, including Fresno, will be having to struggle with substantially smaller proportions of the GAIN allocation than Fresno now enjoys. If this is true, the difficulties that Fresno already is experiencing, under what are probably the most favorable budgetary circumstances, are likely to become far worse.

b. Serious breakdowns in the provision of supportive services have occurred, in large part because of the funding inadequacy problem.

One of the areas particularly hard hit by the funding shortfall issue is that of supportive services. The GAIN statute recognized the vital importance of adequate supportive services in making it possible for participants to receive necessary training and to be placed in jobs. Funds were allocated specifically to provide supportive services, and assurances were given that transportation and other work related expenses would be provided under GAIN before they were incurred so that they would not have to be borne by recipients who lacked the resources to make these types of payments up front. Unfortunately, the number of instances where problems relating to supportive services have been encountered by recipients suggests that these standards were not being met to the degree intended by the California Legislature. The primary reason for these problems appeared to be the funding shortfall described above. One of the members of the Fresno Private Industry Council confirmed that, "The money in GAIN to provide for supportive services is way down from where it needs to be."

Child care is the area that appears to be particularly hard hit. Although a substantial amount of funding for general child care needs was appropriated by the Legislature as part of the GAIN package, welfare recipient groups and children's advocates point out that the bulk of these funds are not going to welfare recipients, but to support daycare needs more generally. Child care advocates fear that the result of this shortfall will be the approval of many child care arrangements for GAIN participants that do not meet the standards of safety and adequacy that the Legislature was trying to assure.

Once again, a conflict between two State agencies appears to be playing a major part in compounding the funding problem that underlies the day care issue. One of the legislative staffers involved with the GAIN program pointed out that the Department of Social Services "failed to ask the California Legislature for enough money to meet child care needs under GAIN," in large part because DSS's strategy was to force the Department of Education to use more of its own child care resources on GAIN participants." However, the strategy did not work because the Department of Education was reluctant to displace other youngsters who were not affected by GAIN from receiving day care assistance.

Outside of the child care area, several other instances were cited where supportive services were not being adequately provided. Complaints have been filed with GAIN concerning participants who have been denied necessary transportation expenses, and payments for books and clothing required by their training assignments. GAIN officials acknowledged that some problems along these lines did exist, but expressed the view that most were caused by case workers who did not adequately understand the new, more liberal supportive services standards that were being applied under GAIN. They were in the process of organizing training meetings with case workers to try to ameliorate the problem.

But there were other indications that the problem was more than just case worker insensitivity, or lack of awareness of the new GAIN standards. One case that was cited concerned the refusal to provide a very small amount (approximately $25) for a minor car repair that would have enabled a rural recipient to travel to his training assignment. It was suggested that the reason for the denial was that State GAIN officials had set a $450 limit on supportive services for each participant for their entire time in the program. Facing this limit, and realizing the extensive nature of supportive service needs that were likely to arise in the future, case workers were being very strict in approving expenses early on for fear of reaching the cap too quickly. One GAIN official acknowledged "a reluctance among social workers to spend it too fast, or to make too many exceptions for special needs."

c. The unavailability of jobs seriously undermines the ability of GAIN to improve the employability of participants even after they have received training.

A major proportion of those interviewed, including at least one GAIN official, cited job market difficulties in the Fresno area as a critical factor that limited the ability of the GAIN program to accomplish its placement objectives. Their nearly universal concern was that participants, even after becoming become better trained, would be left with little prospect of finding unsubsidized jobs so as to be able to leave the assistance rolls. The consequence of this problem for the GAIN program may be that a large proportion of paticipants, despite their best efforts to become employed, will be relegated to long-term workfare or job search assignments, with few prospects of job placement.

One GAIN contractor pointed out that, "Even the local Chamber of Commerce felt that it was not realistic to operate training programs without an economic and job development component." Another contractor suggested that "the goal of increasing self-sufficiency is just fine, but it is just not a viable one for the great bulk of GAIN participants because of the lack of jobs."

A state official involved in GAIN saw the problem as a great deal more than just a failed programmatic goal relating to placements. "It is doing more harm than good," she said, "when you put already chronically unemployed people in no-win situations where training and work requirements are imposed for no real purpose. Sending them through GAIN and keeping them there for long periods under these circumstances makes no sense, and amounts to more of a punitive exercise than a real effort to produce positive improvement."

Even Fresno's GAIN officials acknowledged the seriousness of the problem. The consolation they offered was that participation in GAIN, even if it did not produce a job placement, would have the secondary benefit of at least "getting long-term welfare recipients out of the house," and keeping them active with experiences that can help build self-esteem. While this may be true in the short run, open-ended, long-term participation in fruitless job search and/or workfare activities might well have just the opposite effect.

Another aspect of the job placement problem that was raised concerns the disincentive effect of what is called the "100 hour rule." This rule, established by the federal government, mandates that an entire family must lose benefits if the primary wage earner works over 100 hours on a job, even if the amount earned is less than the original grant, and even if it does not briing the recipient's income up to the poverty level. The GAIN statute sought to prevent this type of problem by allowing a recipient to refuse a job that did not at least match the level of benefits that were being received. But the federal rule would unfortunately supercede the state standard. This policy conflict presents a potentially serious problem for GAIN, since it threatens to produce a disincentive for participants to accept employment. It thereby compounds the difficulty of there being inadequate jobs available to allow the prompt placement of GAIN participants who have completed their training.

d. Serious problems in the intake and early processing portions of the program have caused massive backlogs and damaging delays.

From the outset, it became apparent to GAIN administrators that the program would be taking considerably more time to process and assign participants than had been planned or expected. Delays were attributable to a variety of causes, including:

- the unexpectedly large numbers of participants requiring remedial education assistance;
- the length and complexity of the written contractual agreements that each participant was required to understand and sign; and,
- a high proportion of no-shows (40%) for the first interview, each of which required rescheduling and/or the beginning of a lengthy conciliation process.

The GAIN intake and assignment process was going so slowly that during my on-site visit contractors were calling GAIN officials daily to complain about the absence of people to process. Many were on the verge of having to lay off newly hired staff. One GAIN staffer described the situation as involving a serious "overestimation of the number of people who could be quickly brought into the program, and an underestimation of the size and importance of the problems that keep them from becoming employed."

In an effort to move people through the system more quickly, GAIN staff decided to process a first group of 1000 people who were already on the welfare rolls, instead of relying exclusively on new applicants, as had been the practice until that time. But this strategy did not work. The GAIN staff was shocked to discover that only 100 recipients from this group could be immediately assigned to one of the GAIN program components other than remedial education, because so many (above 70%) had serious academic deficiencies, or had other problems that delayed or restricted their participation.

While it is certainly true that some of these initial processing delays can be attributed to the typical kinds of start-up difficulties that any new program is likely to encounter, the nature and extent of the problems that have taken place suggest that the causes may be more deeply rooted in the nature of the GAIN program itself. For example, the extensive nature of the remedial education problems that are being encountered indicates that both more time and more resources will have to be devoted to this area of need.

e. Major coordination and communication problems have arisen involving the state and local agency officials responsible for GAIN.

Many aspects of the GAIN program involve joint or cooperative action between two or more state and local agencies. Indeed, one of the important objectives of the GAIN program was to facilitate this type of cooperative activity.

Unfortunately, there have been too many instances where the type of coordinated approach that is essential for GAIN to operate effectively has broken down. As was previously noted, the Department of Education and the Department of Social Services have had major conflicts as to the amount of funding that each would be devoting to such critical aspects of the GAIN program as remedial education and child care. One GAIN contractor caught in the middle of these disputes called the situation a real "tug of war" between the two agencies.

Other conflicts and breakdowns in the coordination process were noted in my review. One contractor saw a situtіon developing where GAIN and JTPA service providers were having to "compete for the same recipients and the same jobs." This was not the only area where GAIN and the Job Training Partnership Act were experiencing some conflicts. The City of Los Angeles has filed a formal complaint with the U.S. Department of Labor alleging that the extensive authority given to county governments under GAIN threatened compliance with some important federal standards established under JTPA. One fear was that as more JTPA funds and activities were brought under the GAIN program, the counties would impose standards and operational goals not entirely consistant with JTPA's requirements. One indicator that this concern might be well founded was the fact that in Fresno, as JTPA funds began to be absorbed by the GAIN program, the proportion of welfare recipients served under JTPA were beginning to increase dramatically (5% over the course of just a few months). Although many would argue that this redistribution in resources was desirable, since it shifts more benefits to those with the greatest need, it nevertheless raises the question of whether other groups designated to receive assistance under JTPA may be shortchanged in the process.

Another area of conflict that was raised related to communication and coordination difficulties between the state and local levels. The local office of the Department of Education had prepared their GAIN plans and budgets based on the assumption that a certain standardized test would be used for remediation testing purposes. It was only a matter of weeks before the program was to begin operations that the State Department informed them that a new test was being prepared that

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presumably would take less time (and therefore less resources) to administer. The budget was adjusted downward to accomodate the change. However, the new test took more time to administer than had been expected, leaving the local agency with a substantial budget shortfall, and a considerble distaste for the lack of communication that had taken place.

While the Department of Education's communication problems are certainly resolvable, the other conflicts that have taken place between different agencies in the early implementation phase in Fresno are of a far more serious nature, and suggest that effective operations will be hampered until methods to obtain better coordination and cooperation can be developed.

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3. Conclusions and Recommendations

One overriding recommendation emerges from the initial experiences in Fresno County with the GAIN program. All of the operational problems that are being encountered, especially the funding shortfall, the delays in implementation that have occurred, and the significantly greater needs for remedial education and supportive services that are being experienced, point to one inescapable conclusion:

> GAIN activities and assistance, in order to be effective, must be more carefully targeted by avoiding the temptation of trying to cover the entire recipient and applicant population, and by concentrating efforts on those most in need (the longest-term recipients), who are most likely to benefit from the provision of remediation and training assistance.

Until additional resources can be allocated to GAIN, until existing coordination difficulties can be resolved, until an adequate pool of available jobs for placement can be assured, and until adequate provisions are made for child care and other supportive services needs, any attempt to include all of the recipient and applicant population under GAIN will be foolhardy and potentially counter-productive. Fresno County GAIN officials, to their credit, essentially acknowledged this fact by accommodating their program goals to limit the use of long-term workfare activities, and to restrict the application of sanctions. In essence, they recognized that given the restrictions they were

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experiencing the best course would be to target resources more carefully, and to downplay those aspects of the program that could produce punitive impacts given existing funding and other related limits. They have correctly concluded that resources spent on fruitless workfare and job search activities, or on lengthy and costly sanctioning procedures, are better devoted to filling some of the existing funding gaps.

This finding and conclusion has very important implications for Congress as it considers the most effective approaches to take in designing a welfare reform package. What is clear from the early GAIN experiences in California is that:

- the emphasis that California has placed on remedial education as the very first item of business for all recipients of assistance is very well founded and deserves to be emulated -- it is perhaps the most significant job training related need, and the one most closely tied to future employability;
- it is foolhearty to attempt to reach all recipients and all applicants unless sufficient additional funds are made available to provide them with the assistance they need, and sufficient new job openings are available to those who become trained; and,
- even with the best intentions, serious problems with coordiantion of program efforts and with the provision of critical supportive services such as child care are likely to undercut the objectives of bringing participants into the program and serving them effectively.

Given these findings, I would urge Congress to develop a program

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of welfare reform that will:

1. Provide sufficient new funding to make the promises of job training and placement a reality.

2. Emphasize voluntary, or at least limited participation so that resources can be targeted and concentrated in such a way as to produce meaningful results.

3. Concentrate efforts on those most in need of training assistance -- the longer term recipients (or those new recipients most likely to become so), where the payoff in terms of improved placement, job holding and income potential have been shown by reseach to be the greatest.

4. Stress the kinds of welfare to work assistance, such as remedial education, and dropout and pregnancy prevention efforts that have been shown to produce the best results in reducing welfare dependency and improving the potential for employment, and avoid those types of participation requirements, such as long-term job search and workfare assignments that have a much higher potential for punitive applications than for promoting self-sufficiency.

5. Make adequate provision for child care, health care, and other supportive services that are vital to allow recipients to participate in training and to accept employment.

6. Give special attention to the employment needs of high-risk youth -- those most likely to become school dropouts, teen parents, juvenile offenders and chronically unemployed --

so that the causes of welfare dependency can be treated and to some degree lessened or prevented before they become so deep-rooted that they become difficult to reach and cure.

7. Avoid welfare-to-work approaches, such as long-term job search and workfare (in the sense of working off the value of benefits) that tend to punitive instead of contributing to the employability of recipients.

8. Encourage diversity and flexibility at the state and local level, so that the positive types of concepts that are included in portions of programs such as GAIN in California ET-Choices in Massachusetts, and Self-Reliance in Michigan will be encouraged.

Let me present you with might be viewed as a radical suggestion on how some of what I have just proposed -- particularly the emphasis on youth employment needs that I have indicated as being so critical -- might be accomplished. I have just completed the nation's first comprehensive evaluation of the Job Training Partnership Act that has been done on a statewide basis. That was done in Virginia, and is being used as a basis for adopting some major improvements in the State's JTPA operations. I also have been involved in assessing JTPA in a number of other states and localities, including Los Angeles, Houston, Portland (Maine) and Arizona. My strong impression, which is confirmed by recently issued national assessments of JTPA conducted by Grinker, Walker and other independent evaluators, is that JTPA (by and large) is badly missing the boat as far as the welfare population is concerned --

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especially for youth, and for the types of youth training that is needed to prevent young people from becoming welfare dependent.

The main reason for this deficiency is that the great bulk of the forty percent (40%) of JTPA funds that is targeted to youth needs are not really serving this purpose very effectively. Instead of being spent in programs and projects specifically geared to the needs of at-risk youth, these funds tend to be spent in ways that "mainstream" youth in adult oriented programs -- an approach that has very limited positive impacts on the job needs of high-risk youth.

It is rather ironic, and some would say that it borders on criminal negligence, that we are sitting here today talking about welfare reform and the need to reduce welfare dependency, when perhaps the most effective method for doing this is available to us and has not been done. The U.S. does not have a program at this time to deal with the job and training needs of unemployed and at-risk youth. That is the sum and substance of the failure of JTPA to target the 40% of funds mandated for youth into effective youth training activities. As a result, we are doing almost nothing on the preventive side to curtail or at least limit welfare dependency before it occurs.

I would suggest taking the JTPA 40% funds as a start to establish a new and seperate federal youth training policy and program aimed specifically at providing the types of training that has been shown to reduce welfare dependency by promoting employability and income potential. We know what kinds of youth programs will accomplish these results. But we are not funding them and operating them adequately under JTPA.

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If we do nothing else, that is the one step that is most likely to produce improvement in the welare system by reducing dependency.

Thank you for providing this opportunity for me to present these views.

Mr. **Pease**. Okay. Thank you very much, Mr. Sklar. That was helpful testimony, and as I say, we are glad to have your radical proposal. It sounds to me a little like the Reagan proposal: get rid of JTPA. And I didn't know they were capable of radical proposals.

Mr. **Sklar**. Well, I would emphasize that getting rid of JTPA is not what I am proposing. My idea is not simply to get rid of the funding for the program, but to use that money in a more effective way. I think getting rid of the program, despite its problems, makes no sense unless there is an adequate substitute.

Mr. **Pease**. Sure.

Okay. Well, I am sorry about the time constraints, but I truly do appreciate the time and effort that all of you have spent to testify before us. I think your testimony is excellent, and I would like to commend our staff for the range of opinions that we have had this morning. I think that has been especially good.

This will conclude the hearing. We will meet again, I think, sometime next week. Thank you.

[Whereupon, at 11:50 a.m., the subcommittee was adjourned, to reconvene at 9 a.m., Tuesday, March 10, 1987.]

WELFARE REFORM

TUESDAY, MARCH 10, 1987

House of Representatives,
Committee on Ways and Means,
Subcommittee on Public Assistance
and Unemployment Compensation,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:40 a.m., in room B-318, Rayburn House Office Building, Hon. Harold Ford (chairman of the subcommittee) presiding.

Chairman Ford. The Ways and Means Subcommittee on Public Assistance and Unemployment Compensation will come to order.

This morning the subcommittee will take testimony from several distinguished witnesses, including Colorado State Senator Wayne Allard and Gerald McEntee, who is the president of the American Federation of State, County, and Municipal Employees.

I am also pleased to welcome a panel of witnesses that includes Catholic Charities USA, the Children's Defense Fund, and the Coalition of California Welfare Rights Organizations.

I look forward to the testimony as a part of our continuing series of hearings on welfare reform. It is the intent of this subcommittee to continue the hearings and hear from witnesses on this critical issue. Hopefully, the subcommittee can start in the near future a markup session and drafting the final welfare reform package.

Again, I would like to welcome the panelists, before this subcommittee today and would like to see whether the ranking member of the committee, Mr. Brown, would have any opening remarks.

If not, we will call our first witness. Our first witness has not arrived yet. I think his flight might be late. So, we are very delighted to call up at this time Gerald McEntee, who is the president of the American Federation of State, County, and Municipal Employees, and welcome you to the subcommittee.

You have appeared here before. We are very delighted to have you, and we look forward to hearing from you in the testimony.

STATEMENT OF GERALD W. McENTEE, PRESIDENT, AMERICAN FEDERATION OF STATE, COUNTY & MUNICIPAL EMPLOYEES (AFSCME), ACCOMPANIED BY NANINE MEIKLEJOHN

Mr. McEntee. Good morning, Mr. Chairman, members of the committee, and also to my right here is Nanine Meiklejohn of our legislative staff. It is our pleasure to be with you.

I am pleased to appear here today on behalf of AFSCME's 1.1 million members across the country to present our views on welfare reform. We have a more detailed statement, which I would like to submit for the record.

Chairman FORD. Your statement and that of all the witnesses who will testify before the subcommittee today, will be made a part of the record and they may summarize their testimony.

Mr. MCENTEE. Thank you.

I want to stress at the outset that effective and equitable welfare reform requires an active Federal role and a major commitment of Federal resources, and I also want to compliment you, Mr. Chairman, for being so clear on this point while so many others are obscuring this fact.

AFSCME has a longstanding commitment to a broad approach to welfare reform, and we hope that the need for benefit improvements will not be lost in the concentration on work programs.

We urgently need to extend AFDC to two-parent families and to establish a national benefits standard. We also should improve the earnings disregards to reach more of the working poor and to strengthen work incentives.

The current interest in work opportunities is important, however, since family economic independence is a goal of all Americans. In addition, our Nation's future productivity may well depend on our willingness to make significant human capital investments in our welfare population.

By the year 2000, we could have a labor shortage with much of our labor force growth occurring among groups that are more prone to ending up on welfare some time during their lives. Therefore, we should create a comprehensive and flexible education and training program needed for a productive work force.

It should be based on individual assessments developed by trained career counselors and case workers. The States should have considerable latitude to establish a wide variety of activities, including job placement, remedial and vocational education, and job training.

A welfare work plan also requires a strong family support strategy. The potential loss of health coverage and the lack of child care and transportation can rule out work as a viable or rational choice in many cases. Indeed, removing child care and health care barriers and modifying the earnings disregard would go a long way toward enhancing work opportunities all by themselves.

One issue likely to generate considerable debate will be whether individual participation should be voluntary or mandatory. The National Governors' Association recently approved a plan which would require mothers of children over 3 to participate. It incorporates the concept of reciprocal obligations in a contract under which recipients participate in work and training and the government provides the necessary education, training and supportive services.

The Governors' plan provokes important policy questions. No.1, how much money are we prepared to spend? No. 2, if the funds are capped, does the mandatory participation requirement still apply? No. 3, should you require universal mandatory participation or should you start with a more limited program of volunteers? No. 4, what does mandatory participation mean? Do recipients have to be in some form of work-related activity as long as they are on welfare? What do they do in high unemployment areas? No. 5, what is involved in requiring mothers of young children to work?

A major problem with a proposal like this is that it increases by around 50 percent the work-eligible group when we have limited fiscal resources and when we are serving only a small minority under the WIN program now.

We do not see how you can avoid capping funds in the program. At that point, the obligations start to work more in one direction than the other. At the very least, the result will be a lot of paper processing. Worse yet, more sanctions, more pressure to take jobs paying poverty wages, more workfare, and dashed hopes are likely.

If you doubt this, we encourage you to ask yourself whether you are prepared to allow a client to sue for services to which he is entitled by the so-called contract.

AFSCME supports voluntary participation and opposes a mandatory program for other reasons.

First, success is more likely if we start out by doing a good job with a manageable number of motivated volunteers. A successful program in turn will attract more volunteers and political support for program expansion. That is the lesson of ET in Massachusetts in Head Start at the Federal level.

Second, the children could be hurt the most. It is not easy for working families to juggle parental and job responsibilities. The fragility of child care arrangements, frequent early childhood illnesses, and unsympathetic employers can put a mother in the untenable position of choosing between economic security and the well-being of her children.

Welfare-dependent families are especially vulnerable during such times because they do not have the resources of better off families to fall back on. We already have a serious shortage of safe, affordable and accessible child care in the country. It would be tragic to over-burden an already fragile child care infrastructure. Doing so could lead to unsafe and inferior placements or a growth in latchkey arrangements.

Finally, mandatory participation rules could lead to more job search and workfare. This is likely if employment and training services are under-funded or if the work obligation extends as long as the recipients are on AFDC. In high unemployment areas, what else would you do after training?

AFSCME supports real training programs with a limited work experience component that offers a chance for paid jobs with a future. We also support subsidized jobs that give participants employee status with wages, benefits and rights equal to those comparable unsubsidized employees, but we do not support programs in which recipients of government assistance work in exchange for their grants without the benefits and dignity of being an employee.

For one thing, this approach sends the wrong message about work. It makes work a punishment instead of an opportunity. Just imagine how someone feels working alongside others who earn twice as much and have a full package of fringe benefits.

Workfare also creates pressure to substitute and displace permanent jobs with decent wage and benefits. AFSCME has had considerable experience with subsidized work activities under CETA and workfare. I can tell you that substitution is very hard to prove, even when you know it is happening.

Our union has won several arbitration awards. In general, though, litigation has not proven to be a timely or satisfactory way of enforcing statutory protections against substitution.

A 1986 court case in Lackawanna, NY, demonstrates the problem. The case involved 26 laid-off employees. One of them even went on welfare and was assigned to work off his grant doing the same kind of work he had performed as a city worker for 3 years. The judge in the case, however, was persuaded that management's claims of previous over-staffing and a revenue shortfall due to the closing of a Bethlehem-Steel plant were evidence that the town had not substituted.

Mr. Chairman, I want to call your attention to the affidavit of Samuel Chini in that case. It is attached to our statement and speaks forcefully about the unfairness of workfare.

Despite losses in the courts, AFSCME believes that substitution is inevitable. The result is a policy that creates a working underclass, further erodes decent-paying jobs, exchanges one group of low income and unemployed people for another, and diminishes the quality of public services through the recycling of people in and out of public work.

One of the larger workfare-type programs is the Public Works Project, PWP, in New York State. New York City has run a PWP project for more than 10 years. Today, it has 15,000 participants, 9,600 are home-relief recipients, and 5,400 are on AFDC. Just over half of the PWP workers are in two PWP titles, clerical aide and custodial aide.

The ratio of PWP clerical and custodial aides to comparable city employees is so high that only one of two possibilities would seem to be occurring. Either displacement is taking place or the PWP workers are not being used productively. We have, in fact, some documented evidence of displacement of custodial assistant positions in a memo last fall from the Human Resources Administration.

If the substitution effect can be elusive, there can be no doubt that workfare creates a working underclass in the public sector. Essentially, it is CETA on the cheap. The so-called pay for PWP workers in New York City was established more than 10 years ago—pay established more than 10 years ago and never raised. It is about half the hourly rate of their civil service counterparts.

In addition, PWP workers have no job rights, benefits, or access to grievance procedures. The courts have consistently denied workfare workers the right to wages, benefits, and bargaining unit representation because they are not "employees," even though they perform regular entry-level work.

It is ironic that many who attacked CETA for creating make-work, dead-end jobs today claim that workfare provides useful public services and enhances the dignity of the participant. The fact is that in New York, San Diego, and West Virginia, many of the workfare slots used to be the CETA slots. Perversely, it seems, only a job with equal pay and benefits is make-work. That makes no sense. If a job is worth doing, the people doing it deserve equal treatment.

Mr. Chairman, an alternative strategy of intensive training and education may be more costly and complicated than workfare and job search, and the job placement payoff may not be quick, but, in the long run, the basic objective of helping welfare recipients achieve economic independence requires a strong focus on education, skill development, support services, and placement in unsubsidized jobs, and to the extent that government money is used to subsidize work activities, an equitable, rational welfare work plan also requires enforceable anti-substitution protections and a recognition that work assignments are worthwhile through the provision of employee status with equal pay, rights, and benefits.

Thank you very much, Mr. Chairman.

[The prepared statement follows:]

Statement of Gerald McEntee, President,
American Federation of State, County and Municipal Employees (AFSCME)

Mr. Chairman, my name is Gerald McEntee, and I am President of the American Federation of State, County and Municipal Employees (AFSCME). I am pleased to have the opportunity to appear here today on behalf of AFSCME's 1.1 million members across the country.

Many of AFSCME's members help run America's welfare system. Many others are only one step beyond poverty themselves, having left the welfare roles during the great expansion of state and local government services from 1965-1980.

As taxpayers, AFSCME members deplore a welfare system that fosters dependency. They know that people want to work for a living and believe that welfare recipients who are able to work should be helped to get and hold a job.

As public employees, AFSCME members can be directly affected by employment and training programs that subsidize work activities in the public sector - be they CETA public service employment, CWEP or grant diversion.

Welfare reform is once again on the national agenda. This time we are just beginning to emerge from an anti-government period that is unprecedented since the Great Depression.

I want to stress at the outset that effective and equitable welfare reform requires an active federal role and a major commitment of federal resources. I also want to compliment you, Mr. Chairman, for being so clear on this point.

President Reagan's proposal for state demonstrations, in contrast, is a copout. It ducks the obvious need for a complex strategy requiring significant new investments. Worse yet, these "welfare reform" experiments look like a further step toward finishing off many major federal domestic programs by devolving them to the states.

"New Federalism" proposals such as those in legislation advanced by Senator Evans and Congressman Downey, seek to raise money for AFDC improvements by turning back to the states such federal programs as mass transit, community development, Title XX, subsidized housing and pollution control. This approach merely passes the buck to the states to raise money for programs which, in fact, are necessary complements to AFDC reforms to help reduce dependency.

After six years of federal retrenchment and four years of "economic recovery", poverty and unemployment are intolerably high in many parts of the country; most newly-created jobs pay near-poverty-level wages, and the states, which have shouldered ever increasing federal responsibilities, have growing fiscal pressures of their own. Clearly, we need more aggressive federal leadership. Indeed, recent polls show a growing public willingness to support an activist government again.

It would be ironic if a lack of will to make the necessary investments jeopardized welfare reform because there appears to be a consensus emerging around some key policy objectives. Among them is the need to promote family stability and responsibility. As many studies indicate, poverty and lack of opportunity can wreak havoc on families. Yet today AFDC reaches less than two-thirds of the poor, and benefits have declined by one-third since 1970.

We urgently need to extend AFDC to two-parent families to establish a national benefit standard. We also should improve the earnings disregards to reach more of the working poor and to strengthen work incentives.

Work opportunities is another major focus of the current welfare reform debate. This is appropriate since family economic independence is the desire and goal of all Americans.

The demographics of the welfare population and future labor force trends make it imperative that an AFDC work strategy create the kind of comprehensive and flexible education and training program needed for a productive workforce. A singular focus on punitive work requirements must be avoided.

Recent research clearly shows how diverse the poor are. For example, we know that there is a high rate of normal caseload turnover. Half of all welfare cases end in less than two years. Only one-sixth of all welfare cases last eight years or more. Although those who live in urban welfare ghettos are highly visible, they make up only a small percentage of the AFDC population. In fact, the persistently poor are more likely to be found outside large urban areas.

If the demographics of the AFDC population are not persuasive enough, I would call your attention to the fact that by the year 2000 we could be facing a labor shortage. And much of our labor force growth will be among minorities, immigrants, and women -- groups which are more prone to ending up on welfare sometime during their lives. They also lack the skills needed for decent jobs and face discrimination in the workplace. At the same time, however, future jobs will continue to require higher skills and be in the service sector.

In short, Mr. Chairman, the welfare population of today may be a mainstay of our workforce tomorrow. Our nation's future productivity may well depend on our willingness to make significant human capital investments in this welfare population.

Therefore, we should create a flexible education and training program based on individual assessments developed by trained caseworkers and career counselors knowledgeable about labor market conditions and employment opportunities. It should give the states considerable latitude to establish a wide variety of activities, including job placement, remedial, and vocational education, and job training. Job placements should not be the only measure of program success. Equally important, especially for long-term recipients, is educational advancement.

A welfare work plan also needs a strong family support strategy since the entire family is affected when the parent leaves home to work, go to school, or participate in training. The potential loss of health coverage and the lack of child care and transportation can rule out work as a viable or rational choice in many cases.

Indeed, removing child care and health care barriers and modifying the earnings disregards would go a long way toward enhancing work opportunities all by themselves.

In the health area, in particular, we need to work on ways to bridge the gap between Medicaid and employers with coverage. Congress took an important step in this direction last year by allowing states to offer Medicaid to pregnant women and children up to the age of five in families below the poverty line. We should mandate and broaden this coverage.

One issue likely to generate considerable debate will be whether individual participation should be voluntary or mandatory. Increased workforce participation by women and the concept of reciprocal obligations are today's justifications for mandatory participation rules.

The National Governors Association recently approved an education and training plan which would require mothers of children over three to participate. It incorporates the concept of reciprocal obligations in a contract under which recipients participate in work and training and the government provides the necessary training, education, and supportive services.

The Governors' plan provokes important policy questions. Among them are:

1. How much money are we prepared to spend?

2. If funds are capped, does the mandatory participation requirement still apply?

3. Should you require universal mandatory participation, or should you start with a more limited program of volunteers?

4. What does mandatory participation mean? Do recipients have to be in some form of work related activity as long as they are on welfare? What do they do in high unemployment areas?

5. What is involved in requiring mothers of young children to work?

A major problem with a proposal like this is that it increases by about 50 percent the work eligible group during a period of limited fiscal resources.

Even under current eligibility rules which exempt mothers with children under six years of age, we are reaching only a very small portion of adult AFDC recipients. The recent GAO report estimated that only 22 percent were being reached in WIN Demonstration states.

In the current fiscal climate, we don't see how you will be able to avoid capping funds for the program. At that point, the obligations start to work more in one direction than the other. At the very least, the result will be a lot of paper processing. Worse yet, more sanctions, more pressure to take jobs paying poverty wages, more workfare, and dashed hopes are likely.

If you doubt this, we encourage you to ask yourself whether you're prepared to allow a client to sue for services to which she is entitled by the "contract".

AFSCME opposes mandatory work requirements. Voluntary participation is better for several reasons.

First, success is more likely if we start out by doing a good job with a manageable number of motivated volunteers. A voluntary program can allow and challenge the states to strive for excellence instead of forcing them to focus on how to meet a legal requirement to serve all or a certain percentage of the eligible population with what is likely to be limited funding. A successful program, in turn, will attract more than enough volunteers as well as political support for program expansion. That is the lesson of ET in Massachusetts and Head Start at the federal level.

Second, a mandatory participation requirement for mothers of young children can end up hurting the children the most. Even though many women with children work, it is not easy to juggle parental and job responsibilities. The fragility of child care arrangements, frequent early childhood illnesses, and unsympathetic employers can put a mother in the untenable position of choosing between economic security and the well-being of her children. Welfare dependent families are especially vulnerable during such times because they do not have the resources to fall back on that better off families have. A mandatory rule could well push these mothers into choices that are detrimental to their children's interests.

Especially critical for AFDC mothers is child care. We already have a serious shortage of safe, affordable, and accessible child care. In fact, the gap between supply and demand is overwhelming in some places. For example, the Cambridge-based Child Care Resource Center estimates that there are 124,000 licensed child care spaces in Massachusetts to accommodate 500,000 children.

Giving mothers the right to opt out of a mandatory program if adequate child care is not available will not provide adequate protection. It is not realistic to expect a mother to risk losing family income to assert what in practice becomes a very nebulous right. What standards are appropriate for child care arrangements? Is having a 13 year-old take care of a younger sibling an acceptable form of relative care? We have heard of this being proposed in one California county recently.

Political and budgetary pressure to produce high participation rates or caseload reductions could lead to inferior child care placements, or worse yet, a growth in latchkey arrangements.

It would be a tragedy to overburden what already is a very fragile child care infrastructure. Doing so could cause a dumping of children into totally unacceptable arrangements in much the same way deinstitutionalization has dumped the mentally ill into unsafe homes and into the streets.

Finally, there is a further danger that mandatory participation rules combined with a strong emphasis on placements could lead to the more limited and expedient approaches of job search and workfare. The GAO found job search to be the main service provided by the WIN Demonstration states and lack of resources to be the major reason. Workfare becomes a very strong probability if the work obligation extends as long as recipients are on AFDC. What else do they do in high unemployment areas?

Job search has limited value for people who need remedial education or training, or who live in high unemployment areas. At its worst, it is used as a way to force people off the rolls through onerous employer contact requirements.

Workfare forces welfare recipients to work off their grants at a rate equal to the minimum wage without employee status, benefits, or job rights. Failure to do so results in denial or reduction of the welfare grant.

AFSCME supports real training programs with a limited work experience component that offers a chance for paid jobs with a future. We also support subsidized jobs that give participants employee status with wages, benefits and rights equal to those of comparable nonsubsidized employees. But we do not support programs in which recipients of government assistance work in exchange for their grants without the benefits and dignity that go along with being an employee.

For one thing, this approach sends the wrong message about work. It makes work a punishment instead of an opportunity. A welfare recipient forced to work off her grant who can barely read, who has virtually no work skills, and who gets child care, medical care, and transportation from the government instead of earning the money for them on a regular job, may satisfy certain political objectives. But her prospects for escaping a life of welfare dependency are not very good.

Workfare also creates pressure to substitute and displace permanent jobs. The problem with substitution, however, is that it's very hard to prove even when you know it is happening. We have grappled with the substitution problem under CETA and general assistance for years. It is very hard to isolate the effect of the workfare program from other factors that influence personnel decisions and staffing patterns.

Nonetheless, we have won some significant arbitration awards, the most recent in Pennsylvania in 1985. In that instance, the state, which had assigned approximately 1,000 CWEP participants to AFSCME bargaining unit positions, was ordered to remove CWEP participants from work such as filling potholes, opening mail, and processing AFDC case files that would have been done in the absence of the CWEP participants.

In general though, litigation has not proven to be a timely or satisfactory way of enforcing statutory protections against substitution. A 1986 court case in Lackawanna, New York demonstrates the problems involved in proving substitution. The case involved 26 laid off employees. One of them even went on welfare and was assigned to work off his grant doing the same kind of maintenance work he had performed as a city worker for three years. (See attached affidavit) The judge rejected AFSCME's allegations of substitution. He was persuaded that management's claims of previous overstaffing and a revenue shortfall due to the closing of a Bethlehem steel plant were evidence that the town had not substituted. Substitution aside, the equity issues this situation raises should not be ignored.

We believe, however, that substitution is inevitable and that permanent jobs with decent wages and benefits will be lost in the process. This is especially true where a large program exists for a long time. So what do we accomplish? The result is a policy that creates a working underclass, further erodes decent paying jobs, exchanges one group of low income and unemployed people for another, and diminishes the quality of public services through the recycling of people in and out of public work.

In this regard it's important to remember that AFDC is not the only program under which workfare can be created. State general assistance and food stamp programs also make workfare assignments. A nationwide survey of the status of workfare conducted by AFSCME last year indicated that 28 states had an AFDC workfare component; 8 states had a food stamp workfare requirement, and 19 states had general relief workfare programs. (See attached) So, AFDC workfare does not occur in a vacuum, and at the local level the effect is cumulative.

One of the larger workfare type programs is the Public Works Project (PWP), in New York State. New York City has run a PWP project for more than 10 years. Today it has about 15,000 participants; 9,600 are home relief recipients and 5,400 are on AFDC.

While we do not have the investigative capacity to do a full scale analysis of the city's budget, personnel patterns, or the work performed by the PWP workers, we do know several things that, at the very least, look suspicious. For example, there is a civil service classification called pest control aide. No regular employees work in this job, but there are 527 PWP pest control aides who perform necessary public health duties.

Just over half of the PWP workers are in two PWP titles: Clerical Aide and Custodial Aide. Their sheer number is mind-boggling. In 1986 there were approximately 7,900 regular full time office aides in city agencies and more than 4,400 PWP clerical aides in city agencies. In the same year, there were 1,881 city custodial assistants and 3,539 PWP custodial aides working in city agencies. Even assuming that three part-time PWP participants equal one full-time worker, the ratio of PWP workers to regular city employees is very high.

With such a large number of PWP workers in low-level functions, only one of two possibilities would seem to be occurring. Either displacement is taking place or the PWP workers aren't being used productively. We have, in fact, some documented evidence of substitution among custodials in a memo last fall from the Deputy Administrator of the Human Resources Administration's Administrative Services Unit. Based on the number of custodials then employed by the city, each cleaner's workload should have been much more than is customary workload. But the memo indicates that the actual amount of work per custodial was less than the ratio indicated "because of the deployment of PWP personnel".

If the substitution effect can be elusive, there can be no doubt that workfare creates a working underclass in the public sector. Essentially, it is CETA on the cheap. The so-called "pay" for PWP workers in New York City was established more than 10 years ago and has never been raised. It is about half the hourly rate of their civil service counterparts. (See attached) In addition, PWP workers have no rights, benefits or access to grievance procedures.

AFSCME District Council 37 has sought to represent the PWP workers without any success. Significantly, while the arbitrator in Pennsylvania agreed with AFSCME District Council 13 on substitution, he rejected their attempt to represent the CWEP workers and get the full benefits of employee status for them. In both cases, the workfare workers were denied the right to wages, benefits and representation because they were not "employees" -- even though they performed regular entry-level work.

It is ironic to us that many who attacked CETA for creating make-work deadend jobs, today claim that workfare provides useful public services and enhances the dignity of the participant. The fact is that in New York, San Diego, and West Virginia, many of the workfare slots used to be CETA slots. Perversely, it seems, only a job with equal pay and benefits is make-work. That makes no sense. If a job is worth doing, the people doing it deserve equal treatment.

As for the much-touted value of workfare as a way to provide training or experience and to save money by facilitating the transition off welfare, at best the evidence is limited. Indeed, workfare can even be counterproductive in that regard. A 1985 study by AFSCME's New York Civil Service Employees Association of the PWP program found actual cases of supervisors trying to block participants' efforts to find jobs. The supervisors wanted to keep these valuable workers who were "free". Clearly, that Lackawanna worker wasn't getting training or experience by doing the same work on a workfare assignment. The high turnover rate in the New York City PWP program strongly suggests that there is inadequate supervision and not much useful training.

The Manpower Demonstration Research Corporation claims that job search and workfare result in some statistically significant employment gains. These gains become losses when regular employees are displaced by unpaid workers especially when other studies show better results with public service employment or programs with intensive training and education components.

A strategy of intensive training and education, of course, is much more costly and complicated than workfare and job search, and the job placement payoff may not be as quick. But in the long run the basic objective of helping welfare recipients achieve economic independence requires a strong focus on education, skill development, support services, and placement in unsubsidized jobs. And, to the extent that government money is used to subsidize work activities, an equitable, rational welfare work plan also requires enforceable anti-substitution protections and a recognition that work assignments are worthwhile through the provision of employee status with equal pay, rights and benefits.

Ultimately, however, even the best employment and training program will be limited by the environment in which it operates. Recession, technological change, trade policies, lagging wages and discrimination all limit what training programs can do. We need a high employment economy to produce jobs for trained people. We need to raise the minimum wage so that a family of three does not stay poor even when the wage earner works 40 hours a week. And we need to move aggressively against discriminatory employment practices that limit earnings and career potential.

Unless we address these economic factors and define our objectives carefully and realistically, we will doom another federal program to political failure.

ATTACHMENT A

Status Report—Workfare Program States May, 1986

Workfare Targeted at Recipients of:

State	General Assistance (GA)	AFDC	Food Stamps**	Coverage—Comments
Alabama	No GA Program	Yes		Optional to counties; operating in 3 counties.
Arizona	No	No		WIN Demonstration Project—does not include workfare component. Workfare under consideration. Operating in 2 counties.
Arkansas	No GA Program	Yes*	Yes	WIN Demonstration Project operating in 22 counties.
California	Yes	Yes*		General assistance workfare limited to San Diego County. New AFDC program (GAIN) has workfare component.
Colorado	No	Yes		Operating in 25 counties.
Connecticut	Yes	No		GA workfare mandatory statewide. New AFDC program excludes workfare.
Delaware	No	Yes*		AFDC workfare is mandatory for certain categories of recipients.
District of Columbia	No	No		Workfare legislation for GA and AFDC recipients before City Council.
Florida	No GA Program	No	Yes	Mandatory, statewide AFDC and FS workfare bill has been introduced in state legislature.
Georgia	No	Yes*		WIN Demonstration Project operating in 7 counties.
Hawaii	Yes	No		GA workfare mandatory statewide.
Idaho	No GA Program	Yes		Mandatory AFDC workfare statewide.
Illinois	Yes	Yes*	Yes	New program has mandatory, statewide workfare component for GA and AFDC.
Indiana	Yes	No		GA workfare optional to counties.
Iowa	Yes	Yes*		GA workfare optional to counties. Mandatory AFDC workfare for unemployed parents operating in 49 counties.
Kansas	Yes	Yes		GA workfare mandatory statewide. AFDC workfare operating in 19 counties.
Maine	Yes	No		GA workfare mandatory statewide.
Maryland	Yes	No		GA workfare operating in three counties.
Michigan	Yes	Yes*		Statewide GA and AFDC workfare.
Minnesota	No	Yes		AFDC workfare operating in 8 counties.
Montana	Yes	No		GA workfare operating in 20 counties.
Nebraska	No GA Program	Yes*		AFDC workfare limited to Unemployed Parent cases.
New Hampshire	Yes	No		GA workfare optional to counties.
New Jersey	Yes	No		GA workfare mandatory statewide.

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*State is operating an AFDC WIN Demonstration Project which includes a workfare component.

**Food Stamp Security Act of 1985 (P.L. 99-198) requires states to establish an employment and training program by April 1, 1987 for employable but unemployed Food Stamp Program recipients. States have the flexibility in determining the program components. States may include one or more of the following activities: job search, training, community work experience (workfare) programs that do not displace paid employees and that extend the same work conditions and benefits received by regular employees performing comparable tasks, and other permitted programs or activities. Minimum recipient participation standards are to be set for each state.

Sources:
—*State Workfare Status Report*, Jobs Watch, December, 1982.
—*Work Program Status Report*, Office of Family Assistance, U.S. Department of Health and Human Services, January 1, 1986.
—*1982 Characteristics of General Assistance Programs*, Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services, May, 1983.
—Contacts with AFSCME and state officials, January-April, 1986.

AFSCME
Public Policy Department
May, 1986

State	General Assistance (GA)	AFDC	Food Stamps**	Coverage—Comments
New Mexico	No	Yes		AFDC workfare limited to a few counties.
New York	Yes	Yes*		GA workfare (Public Work Project) authorized statewide. New AFDC program may include workfare component.
North Carolina	No GA Program	Yes	Yes	Mandatory AFDC workfare program operational in 12 counties.
North Dakota	No	Yes		Mandatory AFDC workfare program operational in 11 counties.
Ohio	Yes	Yes		Mandatory AFDC workfare program in eight counties.
Oklahoma	No	Yes*		AFDC mandatory workfare component in WIN Demo. operating statewide.
Pennsylvania	Yes	Yes*		Mandatory GA and AFDC workfare component in WIN Demo. are statewide.
Rhode Island	Yes	No		GA statewide workfare program.
South Carolina	No	Yes	Yes	AFDC mandatory workfare program operating in two counties.
South Dakota	No	Yes*	Yes	AFDC workfare component in WIN Demo. operating statewide.
Utah	Yes	Yes		GA mandatory workfare operating statewide. AFDC mandatory workfare for unassigned WIN mandatories.
Vermont	No GA Program	Yes		AFDC workfare mandatory for unemployed parents active 6 months or more.
Virginia	Yes	Yes*	Yes	Mandatory for GA. AFDC workfare component in WIN Demo. is statewide.
Washington	No	Yes	Yes	AFDC mandatory workfare operating in two counties.
West Virginia	No	Yes*		Mandatory AFDC workfare component operating statewide.
Wisconsin	Yes	Yes	Yes	State legislature has enacted pilot AFDC program with a mandatory workfare component. Limited to two or more counties.

ATTACHMENT 8

AFFIDAVIT

STATE OF NEW YORK)
COUNTY OF ERIE) ss:
CITY OF LACKAWANNA)

SAMUEL J. CHINI, being duly sworn says that he resides at 68 Jackson Avenue, in the City of Lackawanna, New York.

He further states that to the best of his knowledge and belief that:

1. I had worked three years for the City of Lackawanna's Department of Public Works (D.P.W.) from 1980 thru March 1983; I was a Sanitation Laborer within D.P.W. and performed all types of tasks such as sweeping, cleaning and entry-level janitorial duties.

2. I was a member of Local 1205 AFSCME (AFL-CIO) prior to my lay-off in March 1983.

3. After my lay-off I collected unemployment insurance for 34 weeks, and continued to look for work thereafter. I waited about three to four months before filing for welfare at the Rath Building in Buffalo, New York; I reluctantly filed for welfare after job-seeking proved unsuccessful and after my unemployment insurance had run out.

4. At the time I filed for welfare I was informed that I would have to sign up for the "Workfare" program, i.e.- if I did not work as they assigned me I would be cut from the welfare rolls. Welfare payments come to $139.00 bi-monthly (plus Medicaid). I am required now to work 10 days per month and have been assigned to work for the City of Lackawanna.

5. Under "Workfare" I have been required to report to the City of Lackawanna's Janitorial Foreman, Freddie Greene. My assignments cover work that a Laborer/Janitor performs for the City; I know that I am performing work that had been done by displaced bargaining unit employees. For example I am required to report to City Hall and change lightbulbs, place locks on doors, sweep the City Hall, fix toilets, and perform necessary work throughout the building.

6. On Monday, March 18, 1985 the Chief Engineer (Anthony Collarenp) saw me working at City Hall and said, from what I recall: "Nice to see you back, but not under these conditions." I recall seeing Mayor Radich when I was assigned under "Workfare" to City Hall and stated to him more than once, "I'm here working on Welfare, when I should have my old job back." I also recall telling him that "workfare" does not provide an opportunity for a person to better himself.

AFFIDAVIT OF SAMUEL J. CHINI (Continued)

7. I am somewhat embarrassed and really publicly humiliated by being forced to work under "Workfare"; people I k now approach me while working at City Hall and ask if I am back at my old job- I do not know what to tell them, so I let them think that I work part-time.

8. The irony of this whole matter is that if I had not been laid-off and displaced by "Workfare" people the City of Lackawanna would have been compelled to keep me on, or other laid-off workers, to perform necessary work.

Samuel J. Chini
SAMUEL J. CHINI

Sworn to before me this

6th day of April 1985.

NOTARY PUBLIC

FEDELA M. MARRERO
Notary Public, State of New York
Qualified in Erie County
My Commission Expires March 30, 19 86

ATTACHMENT C

Comparison of Hourly Rates Between New York City
PWP and Comparable City Titles

PWP	Number	Hourly Rate	City Title	Hourly Rate
Attendant Aide	1405	$3.92	Attendant	$7.69
Clerical Aide	4431	$3.83	Clerk	$7.99
Community Service Asst	92	$3.35	Community Svc Aide	$7.85
Custodial Aide, AM	3539	$3.85	Custodial Asst	$7.59
Custodial Aide, PM		$4.10		
Elevator Aide	36	$3.98	Elevator Operator	$7.80
Fiscal Aide	28	$4.06	Account Clerk	$8.26
Homemaking Aide	896	$4.35	Homemaker	$8.71
Janitorial Aide	1437	$3.74		
Messenger Aide	699	$3.83	Messenger	$7.99
Office Machine Aide	38	$3.83	Office Appliance Operator	$7.99
Pest Control Aide	527	$4.06	Pest Control Aide	$8.26
Stenographer Aide	3	$4.06	Stenographer	$8.26
Stock Asst	128	$4.51	Asst Stockhandler	$8.97
Telephone Aide	24	$4.06	Phone Operator	$8.26
Typing Aide	191	$3.83	Typist	$7.99
Watchman Aide AM	41	$3.92	Watchperson	$7.69
Watchman Aide PM		$4.17		
Food & Housekeeping Aide	40	$4.15	Dietary/ Housekeeping Aide	$8.54
Computer Operator Aide	4	$5.24	Computer Operator	$9.85
Computer Programmer Aide	2	$7.10	Computer Programmer	$12.9
Utility Aide	1	$3.92	Senior Citizen Specialist	$5.44
Key Punch Aide	0	$3.95	Key Punch Operator	$8.14
Motor Vehicle Aide	4	$3.59		
Block Service Aide	1	$3.94		
Child Care Aide	2	$3.94		
Hospital Clerical Aide	281	$4.57	Senior Clerk	$8.91
Hospital Messenger Aide	23	$3.83	Messenger	$7.99
Hospital Elevator Aide	1	$4.25	Elevator Operator	$7.80
Hospital Food & Housekeeping Asst	171	$4.43	Dietary/ Housekeeping Aide	$8.54
Hospital Institutional Aide	169	$4.43	Institutional Aide	$8.54
Truckman's Helper	2		Laborer	

February 19, 1987

Chairman **Ford**. Thank you very much.

Let us talk about workfare, work, education, and training, and thank you very much for your testimony. I think you were right on the point.

I am concerned now that some States are talking about workfare. It has been the approach of this committee to talk about work, education, and training, rather than workfare, in which recipients simply work off the grant, often for less than 8 hours a day.

Is there any such thing as a workfare program that could work, that could really take the core group of welfare recipients off welfare? Maybe not off welfare, but help them to work?

Can you have a workfare program with the recipient being eligible for Medicaid benefits, being eligible for other Federal benefits, but let that person work off the grant 3 or 4 hours a day and not be demeaning to the welfare recipient?

Mr. **McEntee**. Well, we certainly have not seen it work in the past. By adding the two ingredients, I am not sure that it helps in terms of the workfare idea of working off the grants when you are dealing with the substitution factor. Whether it is 3 or 4 or 5 hours, what we have found is that, in fact, there is substitution. We also think it is demeaning to a way and, as we said in the testimony, makes work even a punishment to be actually on a work site, really working 3 or 4 or 5 hours, but you are working beside an individual in a comparable job doing exactly the same kind of work and they are getting a certain rate of pay. That may be $5 an hour or $6 an hour or $7.

Chairman **Ford**. Have you seen any of them replace permanent employees on any of these jobs?

Mr. **McEntee**. Oh, most certainly. We have seen our people replaced. We have seen our people replaced all across the country. We attached the affidavit of one person in Lackawanna, NY.

Chairman **Ford**. Was this a CETA employee in this case?

Mr. **McEntee**. No. It was workfare.

Chairman **Ford**. Workfare. I understand it was workfare, but replaced who?

Mr. **McEntee**. Replaced himself. That is who he replaced. He actually worked in Erie County——

Chairman **Ford** [continuing]. And was laid off.

Mr. **McEntee**. And he was laid off.

Chairman **Ford**. And he went on welfare and was sent back to the job?

Mr. **McEntee**. He was on unemployment comp. Then, eventually found himself on the welfare rolls and then he was put out there to work off his grant in exactly the same job that he was laid off from, and his affidavit is attached to the statement that we made, and we have seen this happen before.

Chairman **Ford**. How do we sell this program if it is going to cost more money in the short run? There has been a lot of talk about the Gramm-Rudman budget targets that this Congress is trying to work around and work within.

The budget deficits are severe problems here in the Congress.

Mr. **McEntee**. We recognize that, and we certainly do not disagree. Obviously the deficit and the budget is a much larger problem than just reform of the welfare system in the United States.

We think that most certainly you should look at the Defense budget once again. We feel that there is just no secret to the fact that we need more revenues, and we applaud the Democratic leadership and particularly Speaker Wright when he talks about holding tight on the tax breaks for the wealthy, looking at a possible stock transfer tax. We applaud Chairman Bill Gray of the Budget Committee, who is looking at various ways to raise revenues.

So, we think that defense has to be looked at. We think that some new revenues have to be looked at, but the question you raise really underscores the fact that this really be a voluntary program. We do not think you can now add, particularly with the fiscal restraints that you have, a program of great, great expectations for all these people who are now on welfare to enter some kind of program, receive transportation, receive child care, receive health care, get a job, get some training, and then be a permanent part of the work force.

First of all, the rate of unemployment would not provide for that nor do we have the dollars to provide for that. The Governors were talking, I think, about a billion dollars for their program, a matching grant of a billion dollars from the State. If you look at the California program, which is now somewhat a limited program, that is over $250 million.

So, we recognize the problem of scarce resources, and we say with the problem of scarce resources, let us make it a limited program, let us make it a voluntary program, let us see if it works, and see whether or not it becomes politically credible in terms of the people of the United States.

I think if it becomes politically credible, as we dig our way out of the deficit by virtue of some defense cuts and new revenues, then we can begin to look on expansion.

Chairman FORD. Are there jobs in the marketplace once we educate and train the recipients to go into——

Mr. MCENTEE. Not at the beginning. I do not see how—most certainly in certain States in this country, how you are going to be ready automatically to place people in jobs in the private sector. We think that in the last analysis, if there are not jobs in the private sector, then we can have some jobs in the public sector, but you have to pay these people in terms of what they should be paid, and the benefits that they should receive to work those jobs.

Do not pay them some minimum wage, pay them the rate that they should receive for working those jobs and the benefits that they are entitled to.

Chairman FORD. Do we create any new jobs for this welfare population that we are talking about? I mean, we can provide education and training in a bill, but if there are no jobs, is it still a dead end?

Mr. MCENTEE. Well, this recovery has been a rather uneven recovery. We have some States that are in relatively good shape, we have some States that are essentially almost still in a recession, if not in a recession. In some States, you will be able to place with adequate training, as they did in the State of Massachusetts, some of these people and get them off the welfare rolls. That is what this is all about, not getting them off on a temporary basis. In other States, I think you would be able to provide some public service jobs. We have thousands and thousands and thousands of public service jobs that are unfilled all across the country.

It is not a panacea that we will say that every person that is involved in this program is automatically going to find a job. Unfortunately, with unemployment up around 6.7–6.8 percent, not everybody will find a job. Once again, this underscores the fact that we see a limited program in the beginning with the focus on volunteerism.

Chairman **Ford**. Would you agree that if we are going to have a welfare reform package that we ought to try to make work more attractive than welfare in this package?

Mr. **McEntee**. I believe that, and I believe that the vast, vast, vast majority of these people are on welfare because they have to be on welfare. I think they want to work.

Chairman **Ford**. The minimum wage rate is $3.35 per hour. The President told us in his State of the Union Message that this administration has created some 12 to 13 million jobs over the past 6 years, slightly over 50 percent of those jobs were minimum wage jobs, paying $7,000 per year. If we are talking about making work more attractive than welfare, should we, not this committee, but should this Congress look at an increase in the rates of minimum wage?

Mr. **McEntee**. Absolutely. The minimum wage has not been increased, I think it was some time in the mid-1970's. I think it behooves this committee and the Congress of the United States to most certainly look at the minimum wage.

Chairman **Ford**. The point I was thinking of was that the expansion of the labor market has produced some 12 million jobs, but a majority of those jobs are falling within the minimum wage rates. A family of three earning minimum wage rates certainly does not get beyond the poverty level. If that is the case, how do we make work more attractive to move people within the work force? Would it be your opinion that the Congress should act also on minimum wage legislation to strengthen any welfare reform package that might be coming out of this Congress?

Mr. **McEntee**. Absolutely. Absolutely. We think minimum wage stands on its own in terms of an increase. What makes it even more attractive is when you link it to welfare reform. You know, there are some interesting studies Dr. Whitehead of MIT had in terms of the diminishing middle class in America because of a creation of new service jobs that literally brings down the average wage for Americans across the country.

Chairman **Ford**. Thank you very much.

Mr. Brown?

Mr. **Brown**. Thank you, Mr. Chairman.

Mr. McEntee, I appreciate your coming this morning and look forward to working with you to develop a bill in this area.

I noticed you indicated a concern about making jobs mandatory. Does this same concept transfer over to mandatory education and training? Do you feel it would be inappropriate to make those mandatory?

Ms. **Meiklejohn**. Well, I think again you have a problem.

Chairman **Ford**. Pardon me. Would you state your name for the record? I do not know whether you did it earlier, but

Ms. Meiklejohn. I am Nanine Meiklejohn, and I am in the legislative department of the union.

I think while that may be theoretically a desirable thing, again you have the problem of trying to do something with the limited amount of resources. You would be choosing to cover everybody and diminishing the quality of services that you are providing, and that is unavoidable in this current fiscal climate.

So, again, we think it is better to start off with motivated people who do well in the program, and as the program gains credibility with the welfare population and the general public as a whole, that, in turn, produces more support for program expansion.

Mr. Brown. So, you think it is wrong to require people to attend a work program or a training program or an educational program as a condition of receiving welfare?

Mr. McEntee. I think it would probably be one of the worst things in the world to give them the training and the education and no place to go. I think it would just be tremendously frustrating and, once again, that is why the scope should be limited.

We think that the training and the education and all the other aspects, whether it be child care or transportation or whatever, are such an important part of the program, the overall program, that developing that into a package is one of the biggest steps that you can make. But to develop that package and then give it to somebody and then there is really no placement in terms of a job, we think, can provide a really frustrating experience.

Mr. Brown. Well, that was not really my question, but I appreciate your comment on that area.

I wonder if you share my concern for what happens to people when you provide them with welfare benefits and ask for nothing in return.

Ms. Meiklejohn. I think that presumes that the recipients are not motivated to improve themselves, and I think that most——

Mr. Brown. No, no. I am sorry. I am not presuming anything. I am simply asking you what happens when you provide welfare benefits and do not require something in return.

Ms. Meiklejohn. Well, I think you have to look at what is involved in, for example, requiring a young teenage mother with a child to finish her education. We have to be prepared then as a society to make sure that her children are in a decent child care arrangement while she participates in the program. We have to make sure that she has transportation that does not involve her spending 2 hours going back and forth. We have to make sure that we cover her other needs.

Mr. Brown. Yes, but if I understand your statement, your position is that even if we provide adequate child care and transportation, you are still opposed to mandatory participation in work, training, or education programs—is that right?

Mr. McEntee. Go ahead.

Ms. Meiklejohn. I think our concern is that we will write a law which will have the mandatory participation requirements and not in the end be able to follow up with the dollars to provide the services, and, so, when you are left with a range of activities that includes workfare and job search, it will draw the system into those activities because they are not as expensive.

Mr. **Brown**. I am not trying to put words in your mouth, but am I hearing you say now that if there is money available in a particular program, then you feel that mandatory participation would be appropriate?

Ms. **Meiklejohn**. No. I do not.

Mr. **Brown**. That is still a concern for others.

Ms. **Meiklejohn**. I think that is not the fiscal reality today.

Mr. **Brown**. You mentioned, Mr. McEntee, your concern about the jobs involved in the work programs being real jobs with marketplace pay and benefits and so on, rather than simply a substitute for assistance.

If we were talking about programs that provided competitive wages and benefits, would you then feel it appropriate to require participation?

Mr. **McEntee**. Well, in some far-off world, where everybody that went through an adequate training program and was provided with transportation, child care, and health care and promised a job in the labor market and would get a job in the labor market, not working off the grant, then I think maybe we could begin to look at the possibility of a contract between the Government and a person.

I am not sure how you would enforce all the pieces of that particular contract. We all sit in Washington, DC, and the chairman starts off the hearings, commenting that we have fiscal dilemmas. We think that is off in some far-away world. We wish it was here. We wish that we had a lot of money in order to provide jobs for these thousands and thousands and thousands of people, but we do not see that as the reality of the day.

Mr. **Brown**. My question was, If jobs with appropriate pay and benefits were available, would you then feel mandatory participation was appropriate?

Mr. **McEntee**. If we had all of the things that you are thinking that possibly we could have, then we would be willing to sit down and look at the possibility of a contract between the recipient and the Government, but we do not see that happening for a long time.

Once again, I mean, we are trying to be realistic. That is why we are trying to stress the fact that we should do it as almost a number of tests dealing with the voluntary aspect. The most successful program in the United States apparently is the Massachusetts program. Everybody kind of tips their hat to it. That was a voluntary program, and we think that that is the way it should start, that is the way it should begin in this country with the limited resources that we have. Deal with these people right now that are highly motivated, ready to move out there, and then once they do it, once we see the success of this, I think it just increases and then you have a more positive program than ever before.

Mr. **Brown**. Thank you.

Chairman **Ford**. Would you yield to the Chair and let me follow up on a question?

You were talking about the ET program. There are other States that argue the case that a voluntary program won't work, and we should mandate it. The ET program certainly has shown us that a voluntary program will work.

Should we leave that to States? When we are talking about flexibility to the States in this welfare reform package, should we give that flexibility to the States to make the determination as to whether or not it should be a mandated or voluntary program?

Mr. McEntee. I do not think so. No. I think once again, I just keep going back to the fact that we think it should be a voluntary program and to leave that option in the beginning up to the States, we do not think, is realistic or fair, and that it should be voluntary from day one all across the country.

Chairman Ford. Mrs. Kennelly?

Mrs. Kennelly. Thank you, sir.

I came a little late, so I did not get a chance to hear all your testimony, though I will read it. But I have heard your comments and obviously you do not come here this morning as a strong supporter of what some of us are trying to do in this 100th Congress.

Gerry, we are not looking at the group of people that we hope to help with this legislation as present or next month union members. We hope some day they will be union members maybe, some of us maybe. I do, but not all of us, of course.

But I do not think we can judge what we are trying to do with the same standards that you sit there as a leader in the labor movement. I would like to talk to you about that for a few minutes.

I have just finished looking at some figures, at facts from the MDRC, which has just recently done a study on what works and what does not work, and your individual participation should be voluntary, success is more likely if we start out by doing a good job with a manageable number of motivated volunteers, and then a little while ago, you said to us that you want to make sure that whatever we do has political credibility.

Well, one of the problems that we have found about why some of these programs do not have political credibility is the word—we love to get words and use them all the time—they have been creamed. They take the people who are motivated, who might get work anyway, who are already almost there ready for a job, and then they count those and say, this is a successful program. That is not what we are trying to do.

We have targeted, particularly in the AFDC program, individuals who are illiterate, who are the high-risk group that are going to stay on welfare for a great length of time and will cost the Federal Government the largest number.

Now, you said, Gerry, you thought the worst thing in the world would be to have education and training and have no where to go. I have only spent a few months on this particular process; however, I spent quite a few years on the Hartford City Council, and I think the worst thing in would be to have a child and have no education and no training and no ability to go anywhere.

So, I have to disagree with what the worst thing in the world is. I think that is where we differ here. We are looking at trying to wrestle with the possibility of targeting some of these people who are high-risk individuals, who we know that they are on welfare today and stay on welfare, they will never get off welfare and possibly their children will be on welfare and never get off welfare.

So, I just hope that we are not talking apples and oranges here.

Mr. McEntee. Well, we want those people off welfare as well, and many of those people are highly motivated in terms of wanting to work and wanting to get jobs, and if you are going to target some of those people, that is fine, and if you are going to give them an education, you are going to give them training, you are going to give them protections in terms of child care and transportation and then you are going to give them a job, we think that is wonderful, we think it is marvelous.

Mrs. KENNELLY. Gerry, we are not so naive that we think this is going to be easy, but we also feel that we have got to have the courage to change a system that is not working today. It has lost its credibility. We are spending $17 billion on a welfare program that is locking people into dependency and making an underclass in these United States.

So, I mean, this is something like—I look at this, I know where you are coming from, but, on the other hand, you are the one that has so much knowledge about what is meaningful work and what is a meaningful training program and where can you go and where can you not go, that I hear what you are saying and I see the volunteer.

Well, I can remember 5 to 10 years ago when I would not consider not volunteering, you know. Mandated, I could not have it. But I think what you are seeing is many people from different spectrums figuring what we got today is not working, some of us have to maybe move toward the middle.

Now, I have got a bill in that, you know, it is the American Public Welfare Association's bill. We talk about a contract between the client and an agency, but we do not say that that contract will be in place unless there are those support services.

You talk about if the world were perfect—the world is not perfect. We do not have that much money, but we might have some money. We want to begin, and I really look to someone like you who understands work and labor and training to help us with it, and not to say if you cannot do the whole thing, then do not do any of it. Because, guess what, we will not do any of it. And we are going to continue to have this growing underclass. We are going to say those words, one child out of four born into poverty. We know all the statistics and all the facts. But if we cannot have it just the way we want it, are you saying we do not do it?

Mr. MCENTEE. No, of course not. We are not saying that. I mean, we suffer from the same kinds of problems that you anguish over, and of course we want to see welfare reform. We are giving you our thoughts, our experiences, and we think that once again a smaller program that deals with volunteerism as opposed to mandatory where these people will get jobs when they are finished with this training, finished with this education, is a better program to start off with in the United States with the kind of fiscal resources and caps that we face.

And in terms of them being union members or being paid union rates, I do not want to mislead anybody. It would be fine if they all became union members and were all paid union rates. We think what is even more important than that is that they get the rate for the job. That job may be a union job and that job may be a nonunion job, but they should get the rate for the job that the person next to them is receiving to perform that same kind of job.

Mrs. KENNELLY. Well, I do not think you will have any argument there. I mean, we are certainly not arguing that point.

Can I interrupt you a minute and ask you what is the average minimum—median—excuse me, medium AFSCME worker's wage? You must have statistics.

Mr. McEntee. The average wage? We have 1,100,000 people, who work for State and local governments all across the country. Our average wage now would be about $17,000 to $18,000. That would be about $2,000 lower than comparable jobs in the private sector. We also represent, you know, thousands and thousands and thousands of child care workers as well. One of the other aspects of this that you really have to look into, depending upon the size of the program, is that child care workers are some of the lowest paid workers working for government all across the country. There is a turnover rate of about 40 percent a year, and a very real lack of continuity in terms of child care. That is another piece that really has to be looked at because it is an industry that is in tough, tough shape.

Mrs. Kennelly. It is an industry that is in tough shape, but those are jobs. I can remember when we talked about teachers' aides, there was a hue and a cry that that was not an acceptable program, and yet that has worked out and they are all unionized in my area of my State.

Mr. McEntee. No. But the point I am making is if you move in and you want to—you need child care workers to take care of the welfare recipients as they move out.

Mrs. Kennelly. That is an avenue for jobs.

Mr. McEntee. But there are very, very few of them in the United States. We lack child care workers today in the United States.

Mrs. Kennelly. Do you not think that would be a perfect area to take people who are on welfare and train them to be aides——

Mr. McEntee. It might be an answer.

Mrs. Kennelly [continuing]. In a day care center?

Mr. McEntee. It would be an answer. I applaud that. I applaud that answer. I think it is a good answer, but you have to cognizant of the fact that it does not exist now and if you want to move people, that would be fine. That would be good.

Mrs. Kennelly. Let me ask the legislative person something. Mr. Brown asked you about, did you still have reservations—did you have reservations about mandatory education as well as mandatory taking of a job.

How many children do you think would go to school if it was not mandatory that they go? How many people do you think; I do not know if you have got children. I had children. Unless it was mandatory for that person to get educated, to become literate, to be able to get a high school equivalency, would go unless it was mandatory. Let us talk about who we are talking about.

Ms. Meiklejohn. It is hard for me to believe that a person who has a dependent does not want to seek a way to be self-supporting, and it is hard for me to believe that if she were given an opportunity, a real opportunity with a real promise to it, that she would not take it.

The other thing I wanted to mention was that in Massachusetts, under the ET program, my understanding is that they considered child care slots for possible placements of ET graduates and, in fact, rejected them because the wages were so low that they did not consider those jobs adequate in terms of their salaries for ET graduates.

Most child care wages are around the minimum wage, which, as you know, leaves a family of three in poverty. So, we have not gotten too far.

Mrs. **Kennelly**. I also know some people who would rather have that job than just be in a one room apartment with that child with no where to go, and I just better talk to you a little bit more about education.

If you are a dropout, 15, fifth grade reading level, maybe you did not do too well in school, and then you are 16, you have had a baby and it is embarrassing for you to go back to school. I mean, you are a mother. You will not want to, but, you know, it is embarrassing and if it is just left up to your own good judgment.

I have a 17-year-old right now, a son, and I do not leave a lot up to his own good judgment. He does not have any dependencies. He is my dependent, but I am just saying that mandatory, we are talking about education. I might sit here and understand exactly where you are coming from on mandatory jobs, but for education, I think it is a little different.

I tend to wonder where you are coming from when you do not——

Ms. **Meiklejohn**. Well, I do not think we have any objection to targeting those groups, for example, the teenage mother with children, as a first priority for services. We suspect that if you established your priority, your target groups, and defined your priority for service, and then said to the State, serve people who are volunteers out of those groups first, you may end up exhausting the Federal resources you have——

Mrs. **Kennelly**. Oh, good chance. No doubt.

Ms. **Meiklejohn** [continuing]. Before you get to people who are not volunteering, who do not volunteer. The question is whether——

Mrs. **Kennelly**. See, I am afraid what I will do is be addressing that volunteer who had more going for him or her and the one that I am really after, who has got a lot of hangups and a lot of problems, does not volunteer and ends up once again right where we are today, the long-term client on welfare, the generational problem. There is no future, and that is my fear—thank you.

Chairman **Ford**. Mr. Chandler?

Mr. **Chandler**. Thank you, Mr. Chairman.

I would like the gentlelady from Connecticut to know that I, too, have a 17-year-old and I approach that parenting with the same idea that you do, that experience——

Chairman **Ford**. I thought she was talking about my three sons.

Mr. **Chandler**. If I may, Mr. Chairman, I would like to, with your permission and that of the committee, request something unusual here. I happened to read at the suggestion of my 17-year-old an interview with the rap group, Run DMC, and the reason I suggest it is it is such a contrast to the testimony that has been made here today in their view of motivation and what people who are on welfare and have difficulty getting off, the reason for their lack of motivation.

Now, it happens to be in Penthouse magazine, but I think it would be useful to put it in the record and take a look at it because it is——

Chairman FORD. Well, the Chair will not object. If there is no other objection from the subcommittee, we will let it go into the record.

[Subsequently, on March 11, Mr. Chandler read into the record the article referred to. See p. 490.]

Mr. CHANDLER. I will take some black ink.

Chairman FORD. Can the Chair have an opportunity to see—is it the magazine or just the article?

Mr. CHANDLER. Well, I will bring in the whole thing.

It seems to me that what we heard today were two curious things, and I really want to compliment the lady from Connecticut for her line of questioning, and I also want to say that I do not, as a Republican and I think a pro-business fairly conservative, fiscally conservative guy, automatically take a position against the minimum wage. I may well support you on that, and I know that there is a big downside to that, but there may be a bigger upside.

So, having made that concession to you, I think that it is fair then to ask if we are sending a negative message to a person by requiring a work element of their asking for and receiving assistance from society, what kind of a message are we sending when we do just the opposite, provide assistance without any requirement for anything, for any contribution in return?

Mr. McENTEE. I guess we just keep going back to the same situation. If we had a situation where we could provide all of these things with the promise of a job, then that most certainly is one set of circumstances.

Now, we all know we cannot do that. You know, so, we have to sit here and we have to deal with the realities of the day, and the realities of the day, at least so we are told so very often, have to do with revenues. We think that a first step in beginning to restructure welfare reform in this country would be volunteerism, so that you would get people ready to participate in the training, participate in whatever else is necessary in terms of the health care, and child care, and then move into jobs, because we all know that there are just not enough jobs to put these people into.

I mean, some people have said in, you know, a facetious kind of way, well, if it is contract, you know, and the Government does not live up to their end of the contract in terms of the job, can they sue the Government because the Government cannot provide them the job in the final phase of this program. Well, people are saying that in a facetious way.

We are trying to deal with the realities here. That is what we are trying to do, and not with a theory or what could happen or what may happen. We are trying to deal with the reality that the Federal Government only has so many bucks, only have so many dollars, and to get as many people as we can in a voluntary way into these jobs and off those rolls, and let the American people see it as an unqualified success and then maybe down the road a little bit, we can do other and more things.

Mr. CHANDLER. When you——

Mr. **McEntee**. We do not think that sends a negative message to the people across the country.

Mr. **Chandler**. You were referring to the recipients in your comment, and I was referring to them in my question. You were suggesting that we also should cut defense spending, and I would be curious, what portion of that should be cut and what would be the effect on the Nation's employment of that reduction? Would it be negative?

Mr. **McEntee**. Well, you are not looking at the world's foremost defense expert, but it seems to me that over the course of the Reagan administration, we have increased defense in some really very high numbers year after year.

I do not know what weapons systems can or should be cut, but it is at least my opinion, and if you look at a lot of the polls of the people across the United States, it seems like a tremendous percentage are now talking about some cuts in defense spending, and that is the way we feel. That is the way our union feels.

We are for a strong defense, and we think now that we do have a strong defense by virtue of the monies spent over the course of the last 6½ years. I do not know what weapons systems. I would leave that up to Cap Weinberger and people like that to make those kinds of decisions.

Would it affect unemployment if a particular weapons system was shut down? I do not know the answer to that. I do not know whether it would affect Boeing or Lockheed or somebody else. I just do not know the answer to that, because if that money were channeled into some domestic programs that also create jobs, then maybe it could be a wash.

Mr. **Chandler**. Well, I frankly am one who agrees with you, and I have all kinds of suggestions where we might make some of those reductions. I am personally viewing the SDI as one possibility, but I would like to suggest that that is not free money. There has to be somebody's salary that is eliminated in order to achieve those reductions. I mean, that is just a given and we simply cannot overlook that fact.

Mr. **McEntee**. You cannot overlook it, but I would hesitate to say that we should have a particular weapon or a particular defense system because it actually provides a job——

Mr. **Chandler**. Oh, I agree. That would be the last motivation.

Mr. **McEntee**. We face that all the time in the field of the mentally ill, where we are accused of attempting to keep institutions open in order to provide jobs for the workers in there and, you know, God forbid.

Mr. **Chandler**. No. I very much agree.

Mr. Chairman, if I could make just one last point and apologize for the fact that it is more a point than a question, but I think that the witness has stated an opinion which is broadly held among those who view this welfare system with which I have considerable difficulty, and that is that the obligation that is created by this whole question, that when a person who is having, for whatever reason, difficulty making it in our society comes to the rest of the society for assistance, that that creates a whole set of obligations on the part of society, which provides the assistance.

What I would like to suggest is that we might, in addition to our sense of compassion, which ought to be great, and I think is as a nation, we also ought to look at the other side, the society that is providing the benefit and think in terms of the obligation to them, those people who are working and members of your union and who pay the taxes to pay for these benefits.

You have and I have, we all have employees who do not call upon society for support of any kind and make their own arrangements for child care, for transportation, for clothing, and all of that, and I just have to suggest that there is a challenge to your statement about the obligation that we have to these people who have difficulty while, at the same time, those who do not are being asked to pay for that.

I think we let our guilt sometimes get in the way of our good judgment, and it may well be that we ought to look at those people who are making it, consider their plight, many of them who are having considerable difficulty providing those services for their children and for themselves that we would all like to see.

Mr. McENTEE. The only point I would make is if you are really looking for meaningful welfare reform and you do not deal with it as a package in terms of child care and transportation and health care as part of that package, then you are not going to get at the core of the problem of getting people off the welfare rolls in a permanent way to take meaningful jobs in this country.

Chairman FORD. Mr. McEntee, thank you very much.

Mr. McENTEE. Thank you. Thank you very much.

Chairman FORD. We really appreciate you appearing before the committee and thank you for your input.

Mr. McENTEE. Thank you.

Chairman FORD. Thank you.

The subcommittee will call the Honorable Wayne Allard, the State senator from Denver, CO, at this time. We welcome you before the subcommittee. We are very delighted to have you. We know that you are running a few minutes late, but we are very delighted that you could make it this morning, and thank you very much, and we look forward to hearing your testimony.

Would Mr. Brown like to make any introductory comments?

Mr. BROWN. Mr. Chairman, thank you.

I am particularly delighted the subcommittee has called Dr. Allard to testify before us. He has done extensive work in the welfare area, particularly with regard to consolidating programs and administrative costs, not only to save money but to make the programs much more effective. He has been a leader in the Association of State Legislators, and we particularly appreciate him taking time out of a tough schedule in Colorado to come and testify.

Mr. ALLARD. Thank you, Mr. Chairman, and thank you, Congressman Brown.

Chairman FORD. You may proceed.

Mr. ALLARD. Thank you.

STATEMENT OF HON. WAYNE ALLARD, SENATOR, STATE OF COLORADO LEGISLATURE

Mr. **Allard**. I appreciate your indulgence. I got up at 12 o'clock this morning and we had to call everything in session there in Denver and it—I am on a very tight time schedule, and I do appreciate you being tolerant of my being late this morning.

One of the things that I wanted to talk about a little bit was my experience as a legislator in the State of Colorado, one who sponsored legislation over the past 3 or 4 years working with welfare reform. I represent two counties—Larimer County and Weld County.

Weld County has been extremely active in welfare diversion efforts and has obtained waivers from the Federal Government to carry on a lot of their efforts. The other county, Larimer County, has not been quite as active in their welfare efforts, and there are four points that I would like to make to the committee this morning, Mr. Chairman, and that is that welfare diversion efforts directed toward unsubsidized employment can be successful when properly administered, and also the second point I would like to make is at the State level, we would like to have more flexibility in trying to devise programs that would help get people off of welfare into job training programs and into employment.

The other point that I would like to make in my testimony is that I think that our efforts can be consolidated so that we do not have so many different divisions coming down to the States from Federal programs.

The fourth point that I would like to make and understand that you are doing some discussion as far as AFDCU and making that mandatory on the states, I would like to comment to you a little bit about what has happened in Colorado with that particular program.

Let me return back to the first point, where we are talking about unsubsidized employment that can be successful when properly administered.

Weld County, which is one of the counties in my senate district, has been very active with welfare diversion, went through a period of unemployment at the time that they were instituting the welfare diversion efforts, and basically they qualify the individual for welfare and then immediately walk him across the street and get him going into a welfare sort of training, employment training program that lasts about 6 to 8 weeks.

And at that time, when it was first initiated, we had the AFDCU program in Colorado and that particular program in Weld County concentrated on the AFDCU group of welfare recipients, and in Larimer County, another county in my senate district, did not have that program going.

Both counties have universities in them. They are both prosperous communities as far as having a fairly well-balanced industrial base, I think, but at the time this was going on, there was some problems with the cattle industry in Greeley, and one of the packing plants had closed down and laid off a lot of people.

And in that face of economic difficulties in Weld County and Larimer County is just across the line and are facing those same programs, they were able to cut down their AFDCU to as little as 15 or 16 people in that county. Larimer County, on the other side, which was not instituting any of those efforts, had over 100, 115 to 120 people in AFDCU and were not able to bring down those welfare rolls and get those people into jobs and training.

Basically, they are similar communities, except that in Weld County this is more agricultural with a feedlot and slaughter plant.

In the State level, to get to my second point on flexibility, we passed a number of pieces of legislation just last year. One of the efforts, in fact the main piece that we passed was our attempt was to try and pull all these programs that come down from the Federal level, begin to pull them all down and pull them together so that we can utilize them and make one good administrative effort to make them kind of hitting the same goal and the same line and not have a lot of conflict between the bureaucracies between the various agencies.

And I have a little outline here and I might use some examples of what is happening at the Federal level and how that spills down into the State level and eventually into the county level.

For example, in the Department of Labor, you have three different branches in the Department of Labor with separate programs in that they are trying to do something in the way of workfare, getting people off of welfare rolls into the job, and one of them is job service, which is strictly an employment service, but one of the objectives is welfare employment in that particular program.

A second division has the Job Training Partnership Act which is involved with employment and training. Now, in Colorado, the job service goes into the Department of Labor, the Job Training Partnership Act then is administered through the Governor's office through his job training office, and then it is targeting welfare.

The third program you have is the work incentive program, commonly known as WIN, and basically in that program you have two bosses. You have one at the Department of Labor and then one in the Health and Human Services, and that is 100 percent to welfare clients, and my point is you have got three divisions in one department, and it seems to me like some effort can be made to channel those efforts of those three divisions in that particular area.

Now, I do not think that we are looking at a new program. I think it would be a mistake to have a new program. We have got some 12 different programs that are coming down to the States out of five departments, and, so, if we could concentrate your efforts in one and avoid these fights that you get between the various divisions and that type of thing, I think it would cut down on the administration of it and would be more dollars available for the program and the welfare recipients and job training.

In the Department of Health and Human Services, we have a similar situation, perhaps not as—I would perceive it perhaps not as institutionalized as in the Department of Labor, we have the community work experience program, which is made up of Federal, State, and local dollars, and it has a workfare concept, and the Department of Health and Human Services, we also have the employment search program. It is an employment service, and it is administered through the department of social services, and we have a work supplementation program.

My comment that the work supplementation program has not been well received by the counties in Colorado because of State regulations, or just too proliferative, and they do not see it as a benefit to institute that program. Again, that is administered in the department of social services.

So, again, we have got three programs in that particular department that we might look at trying to consolidate some of those and cut out the bureaucracy and make more dollars available for the welfare recipient.

In the Department of Agriculture, you have the food stamp program with a job service function in that and also in the Department of Housing and Urban Renewal, there is a project of self-sufficiency which has an effort to try and get people that are on welfare into a home, and in Weld County, they have made some modifications on that program.

One of the problems that they have run into there is that it tends to have people come back onto the welfare rolls after they have qualified, and, so, they have made a few modifications to try and lock an individual into a job before they went through the qualifications of getting a home and getting a place to live.

The Department of Education, you have the Carl Perkins Act, which, in the State level, in Colorado, is administered through the State Board of Community Colleges and Vocational Education, and, again, that is unemployment training and it is not tracked with the welfare rolls, although they have targeted low income and economic disadvantaged clients, and it seems to me like perhaps maybe some effort may be there to direct them in the same lines as what we are suggesting for welfare reform.

Another handout, I think, that is with my testimony is one where we have applied for waivers on the State of Colorado. I think it is an attachment on the back of my testimony, and it is intended to be a part of that, and I would suggest that if you are looking for areas where you can allow States the flexibility, that you might look at those areas where we have to apply for waivers in order to institute some of our efforts at the State level or even the county level and that they are things that might be done at the Federal level to give us that flexibility.

The fourth point that I would like to talk to you about is the AFDCU program and what has happened in the State of Colorado. When we instituted the program in about 1980, we worked with the program for about 3 years, and during that time, we found that the AFDCU program got to be such a costly program at the State level that we had to discontinue it, and, so, it was discontinued because of the price tag that went along with that particular program.

And at the time that we discontinued it, it was facing a growth of about 263 percent over a 2- to 3-year period, and AFD, that is AFDCU, was growing 263 percent where the AFDC program was experiencing about a 1.3 percent growth, and we were looking at what was happening with the budget in our State, and we just felt like we could not afford it in our particular State. It was just getting to be too expensive a program.

Previous testimony talked a little bit about minimum wage, and I did not have any comments in my testimony written out regarding minimum wage, but I would like to say that, you know, in the State of Colorado, we are having some economic hard times, and we are an agricultural State, and we have relied an awful lot on mining and oil and gas, and our economy is down, and we do not have the revenues coming into the State that perhaps the rest of the Nation is experiencing.

We are a Western State and we rely very heavily on those as sources of revenue for our State. So, we are having revenue shortfalls in our own budget and having to make some very tough decisions and trying to set priorities since we are required by the constitution to have a balanced budget, and to go ahead and raise that minimum wage at a time when your economy is down, I cannot help but think that what we will do is just create more unemployment, and, so, you know, if you are talking about some things that in addition to giving the States flexibility, like mandating AFDCU or changing the minimum wage benefits, I think that or I would hope that the committee would look very closely at if you are trying to balance those, but I think that in the State of Colorado, if you are doing that, that you would have a really adverse impact on our State, if you made that mandatory.

That is my comments, Mr. Chairman, and if there are any questions, I would be glad to try and answer them.

[The prepared statement follows:]

STATEMENT OF HON. WAYNE ALLARD, SENATOR, STATE OF COLORADO LEGISLATURE

Good Morning, Mr. Chairman and Committee members. For the record, let me identify myself. I am Wayne Allard serving my second term at the Colorado State Senate. I have served as Chairman of the Larimer County Board of Health, and I am currently Majority Caucus Chairman of the Colorado Senate. I also served as Chairman of the Health, Environment, Welfare, and Institutions Committee.

During my last four years in the State Senate I have sponsored legislation to divert individuals from welfare into training and employment programs. Weld County which has been parrticularly aggressive and innovative in the area of Welfare Reform is a major part of my Senate District. There are a number of points that I want to make during my testimony. First, welfare diversion efforts directed toward unsubsidized employment can be successful when properly administered. In addition, I want to encourage you to provide states, such as Colorado, flexibility to address local needs. Thirdly, I want to emphasize that we do not need more programs, but an effort to consolidate current efforts toward a single meaningful program that encourage self-reliance and individual responsibility. Lastly, I want to point out that Colorado's experience indicates that mandatory AFDC-U which allows two-parent families to qualify when the prime supporter is unemployed can be an extremely expensive program.

The Welfare Diversion Project in Weld County, Colorado has been very successful due to some very key administrative efforts. They consolidate some twelve state and federal programs relating to work and training, targeting the welfare recipients and putting them under one administrator. Those twelve programs come under the direction of five different federal departments.

At the state level, we are currently attempting to consolidate those programs into one administrative effort. If there are too many diversions and departments at the federal level the efforts toward welfare reform becomes fractionated and ineffective. What eventually happens is that interaction between the various programs is directed toward making the other program look ineffective so that one particular program can receive more funding. We end up having considerable duplication. We do not need another program in addition to the current programs. Let me briefly talk about the programs we have and how they interact with the state agencies. In the Dept. of Labor we have three different branches of labor involved with work efforts and trying to get those on welfare employed. Again, I would like to make the comment and point that duplication leads to fewer dollars available to benefit the recipients. The Job Services Program which is entirely administered with federal dollars comes down to the state as an employment service and is administered through the Colorado Dept. of Labor. One objective of this particular program is welfare employment and in the state we have some twenty-three employment offices.

The second division of the Dept. of Labor administers the Job Training Partnership Act which is directed toward employment and training objectives. In Colorado this particular program is administered through the Governor's Job Training Offices and those on welfare are targeted. The third division in the Dept. of Labor deals with the Work Incentive Program which is all federal dollars. This program has two bosses; one is in the Dept. of Labor and the other is in the Health and Human Services. One hundred percent of these dollars are directed toward welfare clients. It seems to me that in the Dept. of Labor it would be easy to combine these three divisions into one single effort to put those individuals who are on welfare into unsubsidized employpyment.

Next, let's look at the Dept. of Health and Human Services. We have three programs in that particular department concerned with welfare diversion. This department is not as well institutionalized as the Dept. of Labor. One program that we have in the Dept. of Health and Human Services is a Community Work Experience Program which is a match of federal, state, and local dollars in the State of Colorado. It has a workforce concept and is administered by the Dept. of Social Services.

Another program that we have under the Dept. of Health and Human Services is Employment Search and it is, again, made up of federal, state, and local dollars. It's primary function is employment for those coming off of welfare, and is administered by the Colorado Dept. of Social Services.

The last also deals with the Dept. of Health and Human Services. It is Work Supplementation matched with state and local dollars. It is not well accepted in the state because of the state regulations being too prolific to benefit counties, especially Weld County which has been very aggressive in administering welfare diversion. The Work Supplementation Program is administered through the Dept. of Social Services in the state and its' aim is to provide meaningful work while an individual is still on welfare.

Again, I would urge the committee to look at possible ways to consolidate these three programs in the Dept. of Health and Human Services so that we would have one directed, meaningful effort to the state level. Another department that gets involved with welfare and work efforts is the Food Stamp Program in the Dept. of Agriculture. This program is strictly federal dollars with one objective of Job Service. It stipulates some requirements for food stamp recipients to seek employment. It's administered through the Dept. of Social Services in Colorado. In the State of Colorado our particular Dept. of Social Services refuses to contract with the Job Services effort in the Colorado Dept. of Labor. It is my feeling that both of these departments need to be encouraged to cooperate more closely in their efforts.

The Dept. of Housing and Urban Development has another program called "Project Self-sufficiency" which is funded strictly by federal dollars. It provides a housing program through a voucher approach to individuals who meet the need standards for welfare. One of the problems is that you can't take back the subsidies if the recipient goes back on welfare. What this does, in actuality, is to tend to increase program costs because once they have their own home they tend to qualify for higher benefits and may end up keeping more people on welfare. There have been modifications to the program in Weld County which tend to lock the individuals into situations before they qualify for the housing program. The "Project Self-sufficiency" in the State of Colorado is administered through the Dept. of Local Government.

The Federal Dept. of Education administers the Carl Perkins Act which then filters down to the state level and is administered in the Dept. of Education. In that department, the State Board of Community Colleges and Vocational Education becomes involved with unemployment training. In order to get individuals to qualify for this program, they are not tracked with welfare roles even though the low income and economic disadvantaged are targeted.

Other programs that we have at the state level which deserve mention are:

(1) Welfare Diversion Program which is state and local dollars which require a federal waiver. Colorado is waiting for approval on a new application to continue with the Weld County Diversion Program.

(2) Last year we passed a Medical Assistance Benefit Bill which says that any individual who qualifies for the Workfare Programs will receive Medicaid benefits.

(3) Lastly, we have tried to direct child care services which is 50% federal dollars and 50% state dollars through the Colorado Dept. of Social Services toward those individuals on welfare.

I hope that we can continue to keep these efforts consolidated in the Health and Human Services area and don't let other departments get involved which would tend to dilute these particular programs and, in the long run, create fewer dollars for those who really need help.

In reviewing this plethora of programs, let me just emphasize that, as elected officials, we have to move and manage these programs. Right now, these programs are managing the elected officials.

The State of Colorado has been closely monitoring the Weld County Diversion efforts. Last year we passed four major pieces of legislation to implement a Colorado Job Strategy effort. We adopted Colorado SB 99 which makes employment search a required component of the AFDC Program in all 63 Colorado counties. The employment search program is designed to reduce public assistance dependency by assisting AFDC clients and eligibles in obtaining unsubsidized employment. In WIN counties, WIN mandatory clients and eligibles form a pool of potential participants for employment search. In non-WIN counties, WIN criteria will be used to identify the pool of potential participants. We passed HB 1113 which is a Work Supplementation program which is an optional provision at the county level. It provides that AFDC funds may be used to develop and subsidize work for AFDC recipients as an alternative to providing an AFDC grant.

Many of these positions are expected to be similar to on-the-job training. Employers will be paid monthly subsidies of $200 or 25% of the work supplementation participants' gross monthly wages, whichever is less. These contracts shall not exceed 9 months. The maximum subsidy paid to any employer per contract is $1,800. This subsidy will come from a state wage pool operated by the Colorado Dept. of Social Services which will be comprised of money that would have been payable to individuals in the form of AFDC grants had they not entered the Work Supplementation Program. This program was initiated in the State of Colorado with rules and regulations November 1, 1986. The Colorado General Assembly passed a third piece of legislation called the "Job Alternatives Program" as provided for HB 1288. This program was developed as another optional program at the county level, and provides a state policy toward promoting and encouraging self-sufficiency for public assistance recipients through the placement of such persons in unsubsidized public or private sector employment. The Job Alternative Programs would include training and employment. The counties will receive monthly financial incentives in the form of two months of the State's share of AFDC funding for placing an individual from a training diversion program into unsubsidized employment. The Job Alternative Program rules and regulations were adopted and become effective November 1, 1986. This particular program consolidated all the programs that were coming down from the federal level as well as those from the state level into a unified effort of welfare diversion. The last piece of legislation I'd like to mention that we passed in the 1986 Colorado Assembly had to do with SB 139, refered to as the Medical Assistance Benefit Extension. The purpose is to begin to continue medical coverage through Medicaid for those individuals and their families who increase their earned income beyond 185% of the needs standards while participating in any of the Colorado Job Strategy activities. This piece of legislation allows for the provision of medical benefits as incentive for AFDC clients or eligibles to seek and accept employment. Current regulation makes it impossible to extend Medicaid benefits to AFDC who have not been on public assistance. Therefore, the Medical Assistance Benefits Extension Program is expected to have two major system impacts. One, a greater number of AFDC clients and eligibles will seek and accept employment, and, two, AFDC and Medicaid savings will be realized. In order to implement this particular program we are awaiting approval of federal waivers.

In order to implement the Colorado Job Strategy Program and to continue with the Weld County Welfare Diversion Program we had to apply for a number of waivers and I can go through those if the Chair would decide if they are necessary for the record or I can present them as an attachment to my testimony. Mr. Chairman, there is one final point I would like to make in my testimony. I have heard considerable discussion that along with the added flexibility to the states for administering Welfare Diversion Programs there will be a requirement that the states initiate AFDC-U or the two parent family where the provider is unemployed. Our experience in Colorado is that this is an extremely expensive program unless very closely managed. We were not able to manage this program well enough to avoid an horrendous increase in our state budget. In 1981 through 1983 we experienced exhorbitant increases in the AFDC-U area and in 1983-84 we discontinued the program. From January 1980 to January 1983, the AFDC-U group had grown by 263% while AFDC, one parent household case load had grown by only 1.3%. Subsequently, in 1983-84 the State of Colorado terminated the AFDC-U Program.

In conclusion, I would like to reiterate that Welfare Diversion efforts, commonly known as Workfare, can hold down escalating welfare costs and still have the clients feel positive about the program. A 1985 University of Colorado/Denver report surveyed 176 individuals who had entered the Weld County Job Diversion Program and 83% of the clients support the program's purpose and rejected the notion that the program punish those who apply for welfare. In addition, 80% of the clients expressed the opinion that the Job Diversion Program is worthwhile. The report then went on to summarize that no matter how the data is broken down, every sub-group of clients includes a strong majority concluding that the program is worthwhile.

It is my hope that more latitude can be given to the states to develop welfare diversion strategies based on our own demographics and program goals. With the welfare diversion the ultimate goal of work for those who are capable, saves tax dollars and creates proud self-reliance and individual opportunity.

I would hope that the committee would look very closely at mandating AFDC-U and how it would impact both state and federal budgets. Colorado's experience would indicate that the AFDC-U program could be a budget-buster! I thank the Chairman and the Committee for allowing me to testify today.

Chairman FORD. We really thank you very much for your testimony, and for making this long trip all the way to the Congress to testify today.

When did your State realize, I guess, the downturn in your economy and the rise in the unemployment rate?

Mr. ALLARD. I was first elected to the Senate in 1982. In 1983 is when we started having to go back and make cuts in our budgets once the appropriations had been made. So, every year since I have served in the State senate in Colorado, I have been involved in having to go back and cut programs.

We have been doing that now——

Chairman FORD. Excuse me. You saw the shift in the economy, I guess, during that time?

Mr. ALLARD. Yes.

Chairman FORD. And the rise in the unemployment rate?

Mr. ALLARD. Yes. That has been going down.

Chairman FORD. About when did the State implement the two-parent family, the AFDC-UP program?

Mr. ALLARD. About 1980.

Chairman FORD. About 1980.

Mr. ALLARD. Yeah.

Chairman FORD. Because about 1980, you implemented the AFDC-UP program, and you said about 1982 the economy started shifting.

Mr. ALLARD. That is correct.

Chairman FORD. And yet the unemployment rate went up, I guess, in 1982 and 1983. I guess after about 1980 when you implemented the program, it would take a couple of years for those who are eligible to become familiar with the program and come on AFDC-UP.

I really would not want to ignore the poor economy and high unemployment and shift all of the blame or the responsibility directly on the AFDC-UP, program, putting it on the AFDC-UP recipients.

You know, I think that we have to in this nation embrace that family stability, the intact family. We have found it true in most areas that when you have a poor economy and high unemployment, you do have a new class of people, a new poor, which shift to the AFDC-UP rolls. To deny eligibility because an intact family exists or to have an AFDC-UP program and ignore the effect of the economy on the program's costs might not be fair to a pro-family program. AFDC, I think, certainly should be a pro-family program and it should not break a family up.

My State, we have never opted into the AFDC–UP program, and we do find it true that you break up families, and if we are going to talk about being pro-family in the eighties and if we are going to continue to talk about intact families, the only way you can do it, you must say to people right up front that in order to be eligible or for the children to be eligible for this temporary assistance, then the intact family can remain in place.

Mr. ALLARD. I appreciate your comments, Mr. Chairman. Those are arguments that we made at the state legislature in Colorado, and it was after some really serious deliberation, I mean, it was not an easy decision, that we had to make.

The only thing that I might point out is that earlier in my testimony, I mentioned the two counties, even though Colorado overall was experiencing unemployment problems and sort of a downfall in the economy from what it was prior to 1982. We had those two counties right next to one another, Larimer County and Weld County; one that was using the AFDC–UP program with some welfare diversion efforts, and the other county that was not, and there was really a lot of difference in the people that were qualifying for those rolls and staying on those rolls, and one other thing that I might mention at this point is that, well, they say how did the recipients feel about that program, you know.

You have got some that you have 15 in one county and over 100 in another, and they are right next to one another, well, how do the recipients—you wonder what the impact is on the recipients, and, so, the University of Denver, the University of Colorado at Denver did a survey and over 80 percent of those recipients felt good about the program in Weld County and the efforts to direct them into a job, get them trained, and try and get them into unsubsidized employment.

In fact, we even picked up a number of individuals that would move to Weld County, young women with children, that had moved there so they could be a part of that particular program in Weld County.

Chairman FORD. Let me ask you this with that statement. Does that mean that you would support an AFDC–UP program if there was a provision to mandate education, work, and training opportunities?

Mr. ALLARD. Well, when you look at the cost of AFDC–UP, what I am saying to the committee is that I hope you really look at the costs, you know, in AFDC–UP. Maybe the money—maybe something can be done to encourage the States to do more in the area of education, instead of looking at mandating AFDC–UP on them. That might be an alternative that you might look at.

Chairman FORD. Let me ask you this. Now, you rescinded your AFDC–UP program in what year?

Mr. ALLARD. 1984.

Chairman FORD. 1984.

Mr. ALLARD. Yeah.

Chairman FORD. In 1984, had the economic conditions changed in the State of Colorado, were they changing, was unemployment rate dropping at that time?

Mr. ALLARD. Well, in Weld County, it improved, I think, some or beginning to improve. Statewide, they were still basically having the same problems. We were still having to go back once we had made our budgets, made our appropriations, going back into the next session and having to make cuts.

Chairman FORD. Would you say that was a significant reduction in your welfare budget after you rescinded the AFDC-UP?

Mr. ALLARD. Yes.

Chairman FORD. To what extent? I mean, to what—do you have any figures or numbers?

Mr. ALLARD. I guess I do not have any figures on that specifically. You know, that is a program that we just completely cut out at the time, and I think I had an appropriate sheet. I guess I forgot to bring it with me or have it in the file, but, you know, when you cut out a program like that, that first year or two, you are going to have a reduction because, again, you—like you mentioned earlier in your comments, there is that redirection that you have to go through, and, so, that was made an effort to hold down our budget for that particular—where we had to go back and cut that program out so we would have the money to carry on the rest of our programs, and that is one that that decision was made consciously.

What has happened since then, I guess I do not have a good answer for you, Mr. Chairman.

Chairman FORD. I would appreciate it if you would submit that information for the record. I think you have testified to that extent and talked about the increase in the costs that the State of Colorado experienced between 1980 and 1982 or 1983. I certainly would like to see the numbers that you would have after Colorado rescinded the AFDC-UP in 1984.

Mr. ALLARD. I will try and get those to you, Mr. Chairman. Do you want me to send them to your office?

Chairman FORD. Yes. Send them to the subcommittee and we will make them a part of the record here.

Mr. ALLARD. Be glad to.

[The following was subsequently received:]

SENATE CHAMBER,
STATE OF COLORADO,
Denver, March 25, 1987.

Hon. HAROLD FORD,
Committee on Ways and Means, U.S. House of Representatives, Washington, DC.

DEAR MR. FORD: You asked me to provide you with additional information about the impact of discontinuing the AFDCU program in Loveland.

I asked Legislative Council to research your questions regarding caseload trends. The Legislative Council staff contacted the Department of Social Services, and a department spokesman indicated that this study has not yet been completed.

Therefore, I can only respond to your questions by stating that we have not had a sufficient time interval to develop any trends analyses.

Sincerely yours,

WAYNE ALLARD,
Senate District 15.

Chairman FORD. Thank you very much.

Mr. Brown?

Mr. BROWN. Thank you, Mr. Chairman.

Dr. Allard, I was interested in your comments about the values of consolidation. I assume part of the value is that consolidation means less overhead—you can administer more programs with fewer people. But is another value of consolidation that it gives you more resources to develop new programs? Is that the major value of that consolidation?

Mr. **Allard**. Well, I think there are two things that happens when you consolidate. Number one is you begin to get everybody going along the same path, and it is easier to administer because you do not have the interaction between the bureaucracies. You have one person over here administering the program and maybe another department over here or division administering another program, and they get sort of competing between one another and——

Mr. **Brown**. Instead of working together.

Mr. **Allard**. Yeah. So, it would be much easier if they were together and had the same administrative direction, and I think that has been the real key in Weld County's success. They have brought all those under one administrative effort, and that is what we are trying to do at the state level.

And the other thing is I do think it would reduce the amount of duplication that goes on in those areas, and I think that that means more money available for the recipient at the bottom line.

Mr. **Brown**. Was there an indication that after the AFDC-U program was dropped that families broke up so they could qualify for AFDC?

Mr. **Allard**. Well, I can check back for you on that, but there was none that came to my attention in our discussions, and at that time I was serving on the health, environment, welfare, and institutions committee, and after that decision was made, when the department had testified in front of our committee, he did not make any comments that he had expressed anything above normal growth in the AFDC programs since that was terminated than what he would normally expect.

Mr. **Brown**. We had some concerns expressed earlier this morning that work programs could well end up eliminating existing jobs by substituting welfare recipients for regular workers.

What has been your experience in Colorado? Is that sort of thing happening?

Mr. **Allard**. Well, as far as I know, that has not happened, Congressman Brown. Most of the jobs—I mean, that is a concern we had at the State legislature about what was happening when you were forcing most people out and having them get jobs, but most of the jobs that they were getting them into were not jobs where there was a lot of people wanting them.

For example, they had some of those recipients working in hospitals and some nursing homes, for example, and when you and I think about job training, I am not talking about a lot of technical training, just simple things, how to fill out a job application. If you cannot show up at 8 o'clock that morning for work that you give your boss a call and let him know that you are not going to be there, and those are just really elementary training things that you and I perhaps take for granted, but in that group of people, we found that they needed to be instructed in that area and once you got them instructed in that area, it was easier for them to get into regular jobs.

Mr. **Brown**. I know you are a member of the Association of State Legislators, and that you head the committee that deals with work and training of welfare recipients. Has the association taken a position on that welfare reform legislation?

Mr. **Allard**. No, they have not, Congressman Brown. I am vice chairman of health and human services on the National Conference of State Legislators, and I am here testifying just as an individual with my experience in Colorado's legislature.

We are to have another meeting in May and try to formulate a position and have something available for you at that particular time.

The first time this even really came up for discussion was in February, and we will continue with those discussions in May and hopefully have a position. That is the plan at this time.

Mr. **Brown**. Thank you.

Chairman **Ford**. Mrs. Kennelly?

Mrs. **Kennelly**. No questions.

Chairman **Ford**. Mr. Levin?

Senator, let me conclude by saying that we appreciate you coming out. I am somewhat concerned about the AFDC-UP position that you have testified on. I would like to have additional information. I have stated that for the record.

I think Mr. Brown has touched upon a question, and I would like to maybe just follow up on it. You indicated that there is nothing to demonstrate whether or not you had severe family breakups after the rescinding of the AFDC-UP program.

Mr. **Allard**. Not that I was aware of. Yeah.

Chairman **Ford**. Do you think that the State has had time to make a determination since it was only since 1984?

Mr. **Allard**. It may not have had the time to get those figures together, and I will do what I can. If we have got some figures in that area, I will get those to you and for the last 2 years, see if that would not maybe add some information for your consideration.

One of the real points that I wanted to make in my testimony is that based on our experience with AFDCU and you are trying to balance things in the welfare reform area and mandating an AFDCU program to the States really looks seriously at—that you do not have it creating an unbalance there, that you do not create a lot more liability to the state than benefit.

I hope that you look at a balanced approach and my concern from our experience in Colorado is that that may not be a balanced approach.

Chairman **Ford**. Yes. It would be my concern, too, to know whether or not the State of Colorado noted family breakup.

Mr. **Allard**. Yeah.

Chairman **Ford**. And if the economy was coming back in 1984 and you had a drop in your benefit costs. I just do not want to shift all of that responsibility into the AFDC-UP part of the program and say that that program is to blame.

There are some 24 to 25 States today that have not opted into the program. We have looked at the trends of school dropouts, alcohol abuse, other problems that exist, crime in our urban areas and feel that intact family support, strengthening the family unit, strengthen the community as well and we certainly do not want to come out being anything other than pro-family.

I think we all want to be strong advocates of that, and if we talk about eliminating AFDC-UP, we would have to be advocating family breakup. That is the only way you can do it, to say if the children are going to be eligible, the father would have to leave the household. I am not sure that we want to send that message. Some 24 or 25 States have already opted to send the message, and we would like to send a different message and not a message of family breakup.

Thank you very much, Senator, for your testimony.

Mr. **ALLARD**. Thank you, Mr. Chairman. It is a pleasure having come before you.

Chairman **FORD**. Thank you very much.

I will call Father Thomas J. Harvey, the executive director of Catholic Charities USA to come before the committee; MaryLee Allen, the director of child welfare and mental health, Children's Defense Fund; and Kevin Aslanian, executive director of the Coalition of California Welfare Rights Organizations.

Father Harvey, we again, of course, are delighted that you would give us your presence and your testimony before the subcommittee. We are very delighted to have you. I personally welcome you back to the committee and yield to you and recognize you at this time.

STATEMENT OF REV. THOMAS J. HARVEY, EXECUTIVE DIRECTOR, CATHOLIC CHARITIES USA

Reverend **HARVEY**. Thank you, Mr. Chairman.

I am pleased to be able to present the views of Catholic Charities agencies around the country on the issue of welfare reform. I am encouraged by the kind of hearings that you are entering into, the kind of policies that you are beginning to embrace, and hopefully the kind of consensus that you will be able to build to get effective welfare reform.

I think that there is an urgency to this issue that stands in contrast to recent approaches to welfare reform, such as evidenced even by the emergency assistance bill that was passed last week. Catholic Charities has been an agent over the last 4 or 5 years in distributing that kind of emergency assistance. Thus we often feel that we are an effective ambulance picking up the pieces, but really not addressing the kind of issues that must be addressed.

I think the earlier testimony today and the discussion that followed show that the present AFDC program, as it is structured and administered, is not entirely the answer. I think with the growing constituency of people in poverty, particularly the nearly 25 percent of the Nation's children living in poverty, and many of them at the poorest end of that poverty classification, our urgency should bespeak the most generous policies that cut through some of the myths. We have to be very much aware that this part of the population, the AFDC population, has not had the benefit of some of the rewards of the tax cuts nor of the farm subsidies, yet they have been directly affected by the cutback in subsidized housing.

In light of that, I think the current benefit levels and much more about the AFDC program are really an affront to conscience. In light of this, my comments today will speak from the principles of my own religion on the issues of the economy. I think they also reflect many of the other denominations that make up our pluralistic society, but I especially speak on behalf of the actual experiences of welfare agencies in the Catholic Charities system and will share what they are learning at this time.

I have rather strong feelings that the welfare community, both in the private and public sector, has not been sufficiently used in this country as a research and development arm to interpret what the quality of life is.

I think there is a growing consensus that is being reflected in the public debates in this country, and I hope that is equally true of what you are learning at this subcommittee level. I would just indicate a few of those before commenting on five specific subjects.

Clearly, there is a strong consensus that we do not need an additional prolonged era of benign experiments which the administration's proposal would encourage at this time. I think there is an urgency that bespeaks an inability to wait for the States to show direction in this.

Now is the time to begin to legislate our way out of the present inhumane system to one which provides adequate support for families, assistance for families to enter the economic mainstream, and a supplement to their income if this economic system does not offer adequate income protection for the necessities of life.

I think there is a consensus that a genuine federalism has to be a partnership between the National Government and the States, not a cutback or an abdication of the Federal role.

I think, as earlier discussions have shown already this morning, there is a consensus that we should preserve the integrity of the family in whatever kind of welfare reform is eventually crafted and, finally, again this was reflected in the question and answer period, around the role of education and training, I think we have a consensus that shows that is important to make transition to gainful employment economically feasible.

Although it does not seem to be a part of the basic benefit levels, the issue of voluntary or mandatory, there is a good deal of recognition that our citizens have some collective responsibility to see that the lowest income citizens are not both employed and still living below the poverty line.

I would just comment on the poverty line. If that is an indicator that the government will use as it tries to find policies in the area of welfare reform, then we should recognize that the measure of income which would sustain a family at an adequate nutritional level was viewed in the early definitions of poverty as being for only a short period of time. Experience has not shown that is always true.

Secondly, this poverty line has been falling rapidly over the past two decades as a percent of median income. In other words, again, those in poverty, which include, I think, every one receiving AFDC, have been getting poorer steadily for 20 years in relationship to the rest of the population.

Let me comment specifically on five areas. The issue of two-parent families, the question of dependency and work, comments on the national responsibility, a special category that we should look at in terms of adolescent mothers, and possible case management as a way to cut through some of the difficulties imposed by trying to discuss voluntary-mandatory.

Two-parent families. Even if full-scale welfare reform is not completed this year, we in the Catholic Charities movement feel now is the time to enact a mandated program to cover two-parent families. There is no more key principle to be asserted in improving welfare than a program that does not weaken, but rather does everything to strengthen, family life. Yet, about half of the States still require the absence of a parent before providing AFDC assistance. There can really be no reason for this other than the desire to cut costs or poor program design. Neither of these reasons, if I am right in my interpretation, are sufficient to foster desertion and cheating.

Other than an emphasis on work, there is no clearer consensus in this nation than that welfare ought to help families and not hurt them. Not infrequently, Catholic Charities agencies have to provide services to both sides of the marriage rendered asunder by a program of the State. Both marriage partners suffer, children suffer even more, and I would suggest that society in general suffers.

On the issue of work and dependency, I think the changing female participation in the work force, for whatever reasons, has clearly changed the view of what the public will support through public assistance. In addition, we are all aware of what has seemingly been a growing problem of dependency on welfare assistance on the part of some, rather than the expected reliance on work for their livelihood.

So, we support a well-crafted set of programs designed to help most adult recipients move to participation in the work force. However, we strongly urge participation in such programs be voluntary, at least for mothers with small children, and also for adults whose presence is necessary in the home to care for disabled children or adults.

We think an exception to mandatory programs should be provided for mothers with children under 6; that is, first-grade age. Our concern here is twofold. Enduring lifelong value nurturing provided by close parenting of young children can be the most valuable investment we can encourage. Secondly, many of the children we are talking about live, we must recognize, in communities where it is most difficult to provide for nurturing and protection outside the home.

For other adults, however, a well integrated and managed program of supplemental education, work training and transitional assistance to active participation in the work force is needed on an expanded scale.

Unlike one of the previous people who testified, I am not talking about work fare, I would talk about eventual meaningful jobs. At Catholic Charities, we believe it is both the government's responsibility to help people get ready to work and to see that the jobs are there if the private economy does not provide them.

I think we should also introduce the subject of medical assistance in this context. We acknowledge that we must provide assistance to those in transition to the work force with supplementation of income if the only work available still leaves the family in poverty; thus, the protection of Medicaid must be available for a reasonable length of time and to a reasonable level of income. There must also be available and affordable day care.

If the only work available is at the current minimum wage, additional financial assistance through AFDC or food stamps must be provided. For families of very low income, such assistance should vary by family size.

With regard to the issue of national responsibility, I would like to praise the thoughtful process of the Governors and the American Public Welfare Association. They have really struggled to arrive at a consensus on welfare reform, but I do believe history quite clearly tells us that there should be a national minimum benefit. State supplementation should still be encouraged, but the fact that the great majority of the states have for years had a great discrepancy between their own level of benefit and their own standard of need is clear evidence that adequacy of benefits across the Nation will not be reached without a national minimum benefit.

Finally, it should be obvious that benefits should be indexed to inflation. If the tax system is so indexed, why not protect the poorest among us as well?

With regard to adolescent mothers, among the many areas of service engaged in Catholic Charities agencies is working with this target population and their families. On the basis of our actual experience, we believe that such teenagers should be encouraged to stay with their families, but to make any kind of a requirement that would force that would be very harmful to the development of their maturity. Oftentimes, it was sibling rivalry, or conflict with parents, that has led to the pregnancy and, therefore, to force the child to stay in the home could be detrimental.

For teenagers whose pregnancy is a result of acting out conflict within their families, such a requirement could be devastating; for others, whose families reject them, there often is no where else to turn if the programs are not established in the general community.

On the other hand, a constructive way to encourage them to stay with their parents, if that is possible, is to make it easier for them to stay by not counting the income of the baby's grandparents in determining eligibility for benefit. Many children leave their families for no other reason than it is the only way to get Medicaid coverage for the pregnancy and delivery which their families, in many cases, could not bear. Such a policy in the long run is short-sighted.

Finally, I would like to comment on case management as a possible methodology to try to bring some of the resources to bear and give greater liberation to more people. Every once in awhile, some magazine or newspaper screams that someone on welfare is getting or is eligible for multithousand dollars of benefits through various programs. Both as an inner-city pastor and as a welfare professional, I have never found any poor person who has made good like this, although I am sure there are a few fraudulent recipients.

What these stories do say to us is that the systems which provide assistance are complex and often they are not well integrated. While we would assume that any reforms you undertake would integrate programs better, we would argue strongly for the availability of a case management approach, especially for those recipients who, through some combination of characteristics, are needlessly dependent on public assistance.

I say this even though I generally believe that eligibility for public assistance ought to be determined on an entitlement basis in our society and not ultimately be dependent upon utilizing case work services. Thus, we do not believe that in good conscience you can cut a mother of a 7 year old from assistance because she will not cooperate in a work study program, thus leave only a pittance of assistance for the 7 year old. This is a problem of protective services.

I also speak from the history that Catholic Charities has played in this country in various refugee resettlement programs. We were one of the main actors in the Hungarian resettlement of 1956, the Cuban resettlement of 1959–60, and after the fall of Vietnam, in 1975. Thus, we have extensive experience in resettling thousands and thousands of refugees who speak no English and with work skills largely alien to our economy. This suggests that there are ways of helping people negotiate the system, to facilitate negotiating the path from dependency to a life of self-sufficiency within the economy of this country.

I do not think we have adequately made that available within the AFDC structures. In closing, I would express my earnest interest on behalf of Catholic Charities agencies around the country, the task that you have before you to lead this Nation to a better way and a more compassionate way, a more just way, helping the poorest, our fellow citizens.

[The prepared statement follows:]

Testimony on Welfare Reform

Rev. Thomas J. Harvey
Executive Director
Catholic Charities USA

Before The

Subcommittee on Public Assistance
and Unemployment Compensation
Committee on Ways and Means
U.S. House of Representatives

March 10, 1987

Mr. Chairman, I am pleased to be able to present the views of Catholic Charities Agencies around the country not merely on ways in which we might reform our basic national welfare program, but also on the importance of doing so in a way which asserts both the compassion of the American people, and our sense of justice. We are encouraged to see the Congress -- through the work of your subcommittee last year and now -- focus on what can be done for our neediest citizens, especially those served by the AFDC program. Last Thursday the House passed the special emergency assistance bill, designed to provide minimal assistance for the homeless. But we know that is a palliative and not the answer. And we know that the AFDC program as presently structured and administered is not entirely the answer.

For some 20 years we have been stymied over either how to reform welfare or how to manage costs. In the meantime the sustenance provided families in need of this assistance has declined about 40% in real dollars. The poorest people have become poorer even as we somehow expected to see them pull themselves up by their bootstraps. The USA hasn't given this population any of the benefits which have come from the tax cuts or the farm subsidies, though government has all but eliminated subsidized housing starts. Current benefit levels, and much more about the AFDC program, are an affront to the conscience.

I say this both because of the religious teachings of my Church about justice in the economic order, found in the statements of the Catholic Bishops, and because it is undeniably a judgment which is shared by the other religious denominations which make up our pluralistic society. I say it, too, based on the experience of the hundreds of Catholic Charities agencies and programs around the country which are involved in providing service and advocacy for those least provided for in this society, those most hurt by lack of opportunity.

We are pleased to see a good measure of consensus reflected in most of the proposals offered by leading members of the Congress, and by other important groups in our society. It is obvious that during the past 20 years, while the Congress has been immobilized on welfare reform, a generally accepted consensus has developed on some basic values which any welfare reform ought encompass. Clearly, there is a strong consensus that we don't need an additional prolonged era of benign experiments such as the Administration's proposals would encourage. Now is the time to begin to legislate a way out of the present inhumane system to one which provides adequate support for families, assistance for families to enter the economic mainstream, and a supplement to their income if this economic system doesn't offer adequate income protection for the necessities of life.

The consensus we see is one which reflects a genuine "federalism" partnership between the national government and the states, not an abdication of federal responsibility. Clearly the federal government has a necessary and basic responsibility in the income maintenance area, for this economy is a national economy, not governable by the policies of the various states. There is a consensus, also, that any basic economic assistance program for families ought be designed to help preserve the integrity of those families. There is a clear recognition that today, with an increasing percentage of mothers in the workforce, society expects the family to sustain itself by work, wherever possible. And in order to make a transition to the working world possible for some parents, there is agreement that more must be done in the way of providing education and training, and to make the transition to gainful employment economically feasible. While there does not seem to be accord on basic benefit levels, there is a good deal of recognition that our citizens have some collective responsibility to see that the lowest income citizens are not both employed and still living below the poverty line.

Two things can be said about the official poverty line used by the government. It was, first of all, a measure of income which would only sustain a family at an adequate nutritional level for a short period of time. Secondly, this poverty line has been falling rapidly over the past two decades as a percent of median income. In other words, again, those in poverty -- which include, I think, everyone receiving AFDC assistance -- have been getting poorer steadily, for 20 years, in relation to the rest of the population.

Mr. Chairman, Catholic Charities USA is in general agreement, as you know, with the features of reform which you summarized last October, and which you kindly reviewed with our Board of Directors this January. And I note that Congresswoman Kennelly, formerly the Chair of our agency in Hartford, Connecticut, recently introduced a bill which reflects the work of the American Public Welfare Association, a bill similar to yours in most principles. You have no lack of other bills before you. I want to single out briefly a few basic provisions and emphasize the position Catholic Charities would urge on the members of you Subcommittee when you begin to mark up a bill.

Two Parent Families

Even if full scale welfare reform is not completed this year, now is the time to enact a mandated program to cover two parent families. There is no more key principle to be asserted in improving welfare than that the program does nothing to weaken, and everything to strengthen, family life. Yet about half the states still require the absence of a parent before providing AFDC assistance. There can be no reasons for this other than a desire to cut down on government spending or poor program design. And these are not sufficient reasons to foster desertion or cheating. Other than an emphasis on work, there is no clearer consensus in this nation than that welfare ought help families, not hurt them. Not infrequently do our Catholic Charities agencies have to provide services to both sides of a marriage rendered asunder by a program of the state. Both marriage partners suffer; the children suffer even more. Indeed society suffers.

I repeat, whatever else Congress gets time to consider this year, we urge that a two parent intact family benefit be moved forward without delay.

Dependency and Work

I observed above that changing female participation in the workforce, for whatever reasons, has clearly changed the view of what the public will support through public assistance. In addition we are all aware of what has seemingly been a growing problem of dependency on welfare assistance on the part of some, rather than the expected reliance on work for a livelihood. So we support a well crafted set of programs designed to help most adult recipients move to participation in the workforce. However, we most strongly urge participation in such programs be voluntary for mothers with small children, and any adult necessary in the home to care for a disabled child or adult. We think an exception to mandatory programs should be provided for mothers with children under 6, or first grade age. Our concern here is twofold: the enduring life-long valued nurture provided by close parenting of young children can be the most valuable investment we can encourage. Secondly, many of the children we are talking about live, we must recognize, in areas of our communities where it is the most difficult to provide for nurturing and protection.

For other adults, however, a well integrated and managed program of supplemental education, work training and transitional assistance to active participation in the workforce, is needed on an expanded scale. I am not talking about "work fare." And I am talking about eventual meaningful jobs. In Catholic Charities, we believe that it is both the government's responsibility to help people get ready to work, and to see that the jobs are there if the private economy does not provide them.

We also acknowledge that we must provide assistance in the transition to the work force, and supplementation if the only work available still leaves the family in poverty. Thus the protection of Medicaid must be available for a reasonable length of time, and to a reasonable level of income. There must be available and affordable day care. And if the only work available is at current minimum wage, for example, additional financial assistance through AFDC or Food Stamps much be provided. And for families at a very low income, such assistance must vary by family size.

National Responsibility

I admire the thoughtful process the Governors, and the APWA have gone through in an effort to arrive at a consensus on welfare reform. But I believe history quite clearly tells us that there ought be a national minimum benefit. Of course state supplementation should still be encouraged. But the fact that the great majority of the states have for years had a great discrepancy between their own level of benefit and their own standard of need is clear evidence that adequacy of benefit across the nation will not be reached without a national minimum benefit. To ease the transition to such a benefit we believe that the federal government ought to bear an increased share of the costs. Finally it should be obvious that benefits should be indexed to inflation. If the tax system is so indexed, why not protect the poorest among us as well.

Adolescent Mothers

Among the many areas of service engaging Catholic Charities agencies is working with pregnant adolescents and their families. On the basis of our experience we believe that such teenagers should be encouraged to stay with their families, but that a requirement that they do so could in very many instances be harmful to the development of their maturity, to their siblings and parents, and to their child. This is a requirement which will save no one money in the long run, but may continue the devastation which has begun. For those teenagers whose pregnancy is the result of acting out and conflict within their family such a requirement could be devastating. For others whose families reject them there often is no where else to turn.

On the other hand a constructive way to encourage them to stay with their parents, if that is possible, is to make it easier for them to stay by not counting the income of the parents in determining eligibility for a benefit. Many children leave their families for no other reason than that is the only way they can get Medicaid coverage for the pregnancy and delivery, a cost their families could not otherwise bear. Such a policy is short sighted.

Case Management

Every once in a while some magazine or newspaper screams that someone on welfare is getting or is eligible for multi-thousands of dollars of benefits through various programs. I have never found any poor person who has made it good like this, though there may be a few fraudulent recipients. What these stories do say to us is that the systems which provide assistance are complex and not well integrated. While we would assume that any reforms you undertake would integrate programs better, we would argue for the availability of a case management approach, especially for those recipients, who through some combination of characteristics, are needlessly dependent on public assistance.

I say this, even though I generally believe that eligibility for public assistance ought to be determined on an entitlement basis in our society, and not ultimately be dependent on utilizing casework services. Thus we do not believe that in good conscience you can cut the mother of a 7 year old off from assistance because she won't cooperate in a work/study program, and leave only a pittance of assistance for the 7 year old. That is a problem of protective services.

But the extensive experience of our agencies in resettling thousands and thousands of refugees, speaking no English, and with work skills largely alien to our economy, suggests there are ways of helping people negotiate the system, to facilitate negotiating the path from dependency to a life of self sufficiency in the economy of our country.

In closing let me express the earnest interest of Catholic Charities around the country in the task you have before you to lead the nation to a better way -- a more compassionate way -- a more just way of helping the poorest of our fellow citizens.

Thank you.

Chairman **Ford**. Father, if you would, we will take the other two witnesses first.

The Chair recognizes Ms. Allen.

STATEMENT OF MARYLEE ALLEN, DIRECTOR, CHILD WELFARE AND MENTAL HEALTH, CHILDREN'S DEFENSE FUND

Ms. **Allen**. Thank you.

Mr. Chairman and members of the subcommittee, I am MaryLee Allen, director of child welfare and mental health at the Children's Defense Fund [CDF], and I am very pleased to have the opportunity to appear before you this morning.

CDF has certainly looked to this subcommittee for leadership on behalf of poor children in the past and has been extremely pleased and appreciative of your concern for and commitment to improvements on their behalf.

Today, I appear before you with cautious optimism as you continue to explore the complexities of welfare reform. While CDF certainly welcomes the resurgence of interest in improvements within the current welfare system and is encouraged by the consensus that is emerging, we are also deeply concerned that the much heralded consensus may end up being more rhetorical than real.

Without a willingness to make additional investments in low income families and to begin by making initial deposits on that investment this year, progress will not occur. Some argue that these are investments we cannot afford. However, our nation, as you well know, is already paying a high price for deferred or neglected investments, one that is reflected in the cost of our welfare programs, as well as in the lost potential of millions of Americans.

In our written statement, we outline a number of specific steps that we urge you to take this year to begin to help poor families and to move toward true welfare reform. These recommendations are really embodied in a three-pronged welfare reform strategy, which includes: first, preventive investments to strengthen the opportunities afforded our youth to ensure their future self-sufficiency and avoid their reliance on the welfare system; second, initial efforts to enhance education, training and employment opportunities to assist families on AFDC when possible to become self-sufficient; and, third, steps to strengthen our Nation's system of basic income supports to ensure the healthy development of our poor children.

What I would like to do just briefly this morning is highlight just one or two recommendations in each of these three areas.

First, in the area of prevention, CDF believes that there is an urgent need for targeted assistance to young families. Teens who head AFDC families typically have severe educational deficits and face the bleakest employment prospects. Data from the national longitudinal survey of young Americans analyzed by Dr. Andrew Sum at Northeastern University suggest that the average AFDC mother between the ages of 17 and 21 reads at only the sixth grade level. Two-thirds of such young mothers have basic reading and math skills that place them in the bottom one-fifth of all young women in that age group.

As a result, families headed by these young mothers tend to remain on AFDC for relatively long periods in the absence of intensive education and training programs to help them move on. To date, however, very, very few States have demonstrated success in serving this highly-disadvantaged segment of the AFDC population.

In light of this and in an attempt to make a preventive investment, CDF urges the subcommittee in its consideration of federal support for welfare employment initiatives to authorize separate funding for State programs designed to begin to meet the multiple needs of young AFDC parents who volunteer for such programs and their children. By avoid sweeping new mandates at this stage and gradually building the size and scope of these new comprehensive efforts, States will better be able to develop the range of services that are needed by these young parents. They can better respond to their look at the need for supportive child care. They can also develop the careful assessments that will have to be done initially to determine what a young woman who dropped out of high school at age 14 and is now 18 needs in terms of education to enable her to get back into the mainstream.

In addition, this approach, which would allow each State to begin with a comprehensive program, would give States the opportunity to structure careful evaluations which will help them identify the most effective strategies for improving the employment prospects of young parents. This evaluation will help States to determine the sorts of services and supports that will be necessary for this particular population, as contrasted to their larger case loads.

Second, in the area of enhanced employment opportunities for adults on AFDC, we also urge you to take steps now to prevent States from diluting scarce resources and thereby undermining the effectiveness of Federal efforts. Certainly the goal of providing education, training and employment opportunities for all AFDC recipients who need them is a laudable one, but obviously it cannot be realized overnight.

The recent survey of AFDC work programs by the General Accounting Office [GAO] found that the predominant service provided in 1985 by WIN demonstration programs—and I think we have learned from experience that in many States the WIN demonstration programs are the cream of the crop—was job search assistance, that few support services were provided to participants in these programs, and that most of the programs spent less than $600 per participant. Much more is obviously needed for recipients with more serious barriers to employment.

Consider, for example, and think of the $600 per participant. Why day care costs alone easily can run as high as $200 a month for preschool children and double that for infants and toddlers. It is not unusual for monthly infant care costs to exceed the amount provided to an AFDC family of three in some States. Parents who participate in welfare employment programs must be helped to locate high-quality child care and assisted to pay for it.

CDF recommends that the subcommittee take incremental steps this year toward a more comprehensive welfare employment program by requiring States to begin with the provision of services to AFDC recipients who voluntarily seek to participate. We well recognize and share your concern that an emphasis on voluntary participation alone might divert resources away from those recipients most in need of assistance. Therefore, we recommend coupling the emphasis on voluntary participation with Federal mandates for aggressive outreach efforts by States to stimulate voluntary participation and effective incentives to reward recruitment of more disadvantaged segments of the population.

Efforts must be undertaken to provide the volunteers individualized assessments, a range of service options to meet the individual needs that are identified, including supportive services and transitional child care and health care as well.

Before moving on from the employment area, I just wanted to mention another one of our recommendations relating to better enabling families on AFDC to take advantage of employment options that are available to them.

Rules in place since 1981 have made it almost impossible for recipients, many of whom work only part time, to supplement even extremely low wages with minimal AFDC payments. In Kentucky, for example, a parent with two children working 26 hours a week at the minimum wage, less than half of the poverty level, is ineligible for AFDC, and this is not an atypical situation.

Certainly there is little to encourage a mother in such a situation to avail herself of part-time employment opportunities that may come along. CDF, therefore, encourages the subcommittee to include in any welfare employment package changes in AFDC that would better assist recipients to take advantage of employment opportunities. These include the extension and expansion of the earned income disregards in the AFDC Program and other specific recommendations that we have included in our testimony.

Third and finally, we come to the area of basic income support. We have been concerned that within the broader consensus that is emerging on welfare reform, that this piece is too often left out. Although this subcommittee has assumed a leadership role in emphasizing the need to address income supports available to low income children, more must be done.

It is very easy to focus all of the attention on the needs of parents on AFDC, and to forget about the investments that are needed now to ensure that the children in these families will, in fact, be able to achieve future self-sufficiency themselves.

We certainly support your efforts, Mr. Chairman, as you know, to mandate the AFDC unemployed parent program in all 50 States and the District of Columbia. We also urge you to begin this year to phase in a national minimum combined AFDC and food stamp benefit equal to the Federal poverty level, reaching at least 75 percent of that level by October 1991.

It is a tragedy when you consider that as of July 1986 AFDC and food stamp benefits—combined benefits—for a family of three in 41 States were still below 75 percent of the poverty level. Many Americans spend more on car payments each month than States spend for cash assistance to a poor child.

Certainly the challenges that are involved in better meeting the needs of poor children and families are great. We urge you now to begin to capitalize on the consensus that has been achieved by making initial deposits this year on investments that are needed for poor children and poor families.

Thank you.

[The prepared statement follows:]

Statement of MaryLee Allen, Director, Child Welfare and Mental Health, Children's Defense Fund

Mr. Chairman and Members of the Subcommittee:

I am MaryLee Allen, Director of Child Welfare and Mental Health at the Children's Defense Fund (CDF), a privately-supported public charity that for nearly 15 years has sought to serve as an advocate for poor children and their families. CDF's goal is to educate the nation about the needs of poor children and to encourage preventive investments which will protect and promote their full and healthy development. CDF's work spans a broad range of public policy issues, including family income, health care, education, youth employment, child care, and specialized services that are essential to the well-being of the next generation and to the future of the nation.

I appreciate the opportunity to appear before the Subcommittee today as you address the complexities of welfare reform and the challenges before you in improving the plight of poor children and families in this country. CDF has looked to the Subcommittee for leadership for poor children in the past, and is deeply appreciative of your concern for them and your commitment improvements on their behalf.

CDF welcomes the resurgence of interest in improvements within the current welfare system, and we believe that the Congress can and should take a number of immediate steps this year to make the system more effective in meeting the needs of poor children and their families. However, we are also deeply concerned that the much-heralded consensus for change is more rhetorical than real. Without a willingness to make additional investments in low-income families, we believe it will prove impossible to make significant progress in the welfare reform arena.

There is much discussion of a new consensus around welfare reform, a consensus built largely upon a renewed emphasis on employment and initiatives to increase employability. Yet we must not exaggerate the potential impact of such efforts. At best, effective education and training programs will offer much-needed assistance to some adults on AFDC, thereby yielding valuable but relatively modest reductions in welfare use. It is unrealistic to expect that welfare employment programs alone can either replace the current system of income supports or eliminate the need for sustained investments to protect the futures of the next generation of children now growing up in poor families.

The central role of investments in poor families is highlighted by discussions of a "social contract," a set of mutual obligations fulfilled both by government and recipients of public assistance. Rather than simply requiring work as a means of punishing or discouraging families who seek income support, the principle of a "social contract" purports to recognize that substantial reductions in reliance upon welfare can be achieved only by eliminating barriers to employment through public investments in education, training, and supportive services. Unfortunately, it remains unclear whether the federal government is prepared to fulfill its part of the bargain by ensuring meaningful help for adults who are now shut out of the labor market.

Genuine welfare reform must go beyond an exclusive focus on employment related activities and pursue a three-pronged strategy: (1) preventive investments to reduce reliance upon welfare; (2) comprehensive efforts to help current recipients make the transition from welfare to employment; and (3) steps to strengthen our system of basic income supports to ensure the full and healthy development of children living in poor households.

PREVENTIVE INVESTMENTS TO REDUCE RELIANCE UPON WELFARE

CDF strongly believes that preventive investments in poor families and children can significantly reduce welfare use and strengthen the economic self-sufficiency of all Americans. While assistance for families already relying upon AFDC is essential, too little attention has been paid to preventive investments which reduce the number of families entering the welfare system. We cannot continue to be so shortsighted.

Common sense and careful research both suggest that young people who reach key milestones in their transition to adulthood -- strong basic academic skills, a high school diploma, a first steady job or a chance to go on to college -- are the most likely to secure stable employment and earn adequate incomes which can support families. In contrast, teens and adults who do not acquire these basic skills and work experience are at greatest risk of becoming long-term welfare recipients.

Recent research suggests that the level of a young person's basic reading and math skills is a particularly important factor in shaping his or her prospects for future achievement and eventual self-sufficiency. According to analyses of data from the National Longitudinal Survey of Young Americans by Dr. Andrew Sum of Northeastern University's Center for Labor Market Studies, teenagers with poor basic academic skills are at the greatest risk by far of encountering a diverse range of problems which jeopardize their ability to support themselves and their families in adulthood. For example, youth who by age 18 have the weakest reading and math skills, when compared to those with above-average basic skills, are: seven times more likely to drop out of school before graduation; four times more likely to be both out of work and out of school; three times more likely to become a parent during their teenage years; and four times more likely to be forced to rely upon AFDC for income support.

Poverty among young families is both a cause and a result of these basic skills deficits and their consequences. Growing up in a poor family dramatically increases a young person's chances of ending up with poor basic skills: more than three-fourths of all poor youth have below-average reading and math skills. The cycle of poverty is perpetuated as the cumulative results of poverty and weak basic skills -- including high drop out, unemployment, and teen pregnancy rates -- pose additional obstacles to gainful employment and eventual self-sufficiency.

If we are to break this cycle of poverty among our youngest and most vulnerable families, we must strengthen our preventive investments on behalf of poor and minority youth who are not yet parents and who still have a chance to avoid reliance upon welfare. CDF's work on adolescent pregnancy prevention over the past five years has convinced us that we can reduce rates of too-early childbearing and subsequent welfare use among our youth through education, training, and supportive services which provide hope for the future, and make it possible for the youth to support themselves. We hope that Congress will continue to build upon successful, cost-effective programs such as Headstart, Chapter I, and Job Corps that target assistance to at-risk children and youth as part of its long-term welfare reform strategy.

In the near term, however, there is also an urgent need for targeted assistance to young families already relying upon AFDC. Teens and young adults who head AFDC families typically have severe educational deficits and face the bleakest employment prospects. Data from the National Longitudinal Survey suggest that the average AFDC mother between the ages of 17 and 21 reads at only the sixth grade level. Two-thirds of such young mothers have basic skills that place them in the bottom one-fifth of all young women in their age group. As a result, families headed by young women tend to remain on AFDC for relatively long periods in the absence of intensive education and training programs to assist them in making the transition from welfare to employment.

Few welfare employment efforts supported by the federal government or undertaken by states thus far have managed to tackle the difficult problems facing young parents on AFDC who have weak basic academic skills and little or no prior employment experience. To some extent, this result is a predictable consequence of drastic reductions in WIN funding (which has declined 70 percent since 1981) and pressures upon states to stretch inadequate resources and reach more recipients serving less disadvantaged groups. Yet the Reagan administration has refused to recognize the inadequacy of current federal funding levels for developing the more intensive programs which young AFDC families need. Even the administration's new AFDC Summer Youth Employment and Training Amendments would merely divert badly-needed funds from summer programs for poor and minority youth with no significant additional federal investments.

As part of a preventive investment strategy, CDF urges the Subcommittee in its consideration of federal support for welfare employment initiatives to authorize separate funding for state programs which attempt to meet the multiple needs of young AFDC parents who volunteer for such programs and their children. This approach would give states an opportunity to develop the comprehensive services necessary to cope with the difficult challenges posed by young families, and to structure careful evaluations which will identify effective strategies for improving their employment prospects. In addition, by avoiding sweeping new mandates and gradually building the size and scope of such programs, states will be able to develop more intensive programs in areas such as remedial education and supportive child care for young children which currently do not exist in many communities.

ASSISTING THE TRANSITION FROM WELFARE TO EMPLOYMENT

Of course, the lack of adequate education and training which blocks the road to self-sufficiency for many teen parents also poses formidable barriers to employment and future labor market success for many adults on AFDC. Many states have sought to address these needs under the structure of the current WIN program. The experimentation in which they have engaged during the past several years has improved our understanding of the keys to success in this important area. However, the existing program still fails to encourage the targeting of scarce resources on more intensive services for more disadvantaged AFDC recipients. As a result, too many state programs are dominated by short-term, low-cost interventions which offer limited assistance to the most employable segment of the AFDC population but fall far short of what is needed to achieve significant labor market gains or lasting reductions in overall welfare use.

In theory, there seems to be broad agreement regarding the necessary components of a more comprehensive and effective welfare employment program. Individualized assessments of participants' needs are an essential foundation for any effort. A range of service options must then be available to respond to the diverse needs that are identified, including intensive investments in remedial education, vocational training, supervised work experience, and supportive services including child care. Transitional child care and health care coverage are also needed to remove major obstacles to employment for AFDC recipients.

While this apparent consensus is encouraging, current welfare employment programs fall far short of fulfilling these requirements. Current appropriations under WIN are sufficient to serve only a small fraction of those adults on AFDC who could benefit from employment-related activities. The General Accounting Office (GAO) has found that in states with WIN Demonstration programs, only 22 percent of adults on AFDC received employment-related services, and approximately one-fifth of those served were men. The federal government also now fails to ensure the availability of child care to participants in education or training programs and adequate transitional assistance to those moving off of AFDC into employment. Thus, although our rhetoric may reflect broad agreement, we remain a long way from translating this consensus into reality.

Developing a Comprehensive System to Bolster Employability

In light of these serious deficiencies in existing federal policies and federally supported programs, we believe that proposals to require all adults on AFDC except those with very young children to participate in welfare employment programs are unrealistic and ultimately counterproductive. The goal of providing education, training, and supportive services to all AFDC recipients who need them is a laudable one. However, we cannot realize this goal overnight. In the interim, we must establish a series of incremental steps toward a more comprehensive system which strikes and maintains a balance between the responsibilities of states to provide necessary help and expectations that adults on AFDC, when possible, will participate in employment-related activities.

CDF believes that the provision of services to AFDC recipients who voluntarily seek to participate is a logical starting point for the development of more effective welfare employment programs. Ensuring priority service to volunteers reinforces the themes of personal initiative and self-help which underlie this nation's commitment to employment and potential self-sufficiency. Voluntary participation also promotes effective use of scarce federal resources by focusing services on those who are clearly motivated to take advantage of them.

CDF shares the Subcommittee's concern that an emphasis on voluntary participation alone might divert resources away from those AFDC recipients most in need of assistance. We believe, however, that these conflicting policy goals can be reconciled through clear federal mandates for aggressive outreach efforts by states to stimulate voluntary participation and effective incentives to reward recruitment of more disadvantaged segments of the AFDC population. The great majority of adults on AFDC want to be employed, and welfare employment programs which are presented as an opportunity rather than an obligation will tap this essential motivation. The experience in Massachusetts convinces us that if a state is committed to encouraging voluntary participation and offers real help to AFDC recipients, adults with more serious barriers to employment will enter a welfare employment program.

To maximize voluntary participation, CDF recommends that states be required to undertake a series of outreach and recruitment efforts, including special initiatives to reach more disadvantaged adults on AFDC. These outreach efforts at a minimum should include: distribution of written materials coupled with informational briefings describing opportunities available through welfare employment programs; an individualized assessment of circumstances which pose barriers to employment; a follow-up letter or other contact to adults on AFDC who do not register to participate in such programs within a defined period; and personal counseling regarding the availability and importance of remedial educational activities and various supportive services for persons identified through the individualized assessment as in need of such services.

CDF believes that, given projected funding levels for welfare employment programs during the next few years, these outreach and recruitment efforts will generate an ample participation base for welfare employment programs in many areas. In the event that adequate participation levels are not achieved through these means, the scope of any participation requirements should be closely tied to the availability of education, training, and supportive services, and to the ability of such programs to place job-ready individuals in permanent employment. A state's success in achieving high levels of voluntary participation in its programs should continue to be a primary factor in evaluating the effectiveness of its efforts.

Targeting Resources on Those Most in Need

The scarcity of current federal resources for welfare employment activities not only requires a phasing in of program responsibilities and requirements, but also makes the targeting of such resources on priority activities extremely important. To be effective, targeting efforts must counteract political pressures on states to produce immediate results and involve large numbers of AFDC recipients in work-related activities. They also must protect against the use of federal funds for activities which do not enhance the employability of AFDC recipients.

In the absence of adequate resources to serve even a majority of adults on AFDC, the great danger is that states will spread their resources too thinly, relying heavily on short-term low-cost interventions and thereby diluting the effectiveness of welfare employment programs. A recent survey by GAO revealed that the predominant service provided by WIN demonstration programs in 1985 was job search assistance, that few support services were provided to participants, and that three-fourths of all programs surveyed spent less than $600 per participant. The Reagan administration's GROW proposal, with its emphasis on high levels of overall participation in less intensive work activities, would further exacerbate this already disturbing trend and (according to CBO estimates) actually increase net federal AFDC costs by as much as $756 million in 1992.

Incentives for states to resist this dilution of scarce resources are an essential part of a cost-effective federal welfare employment policy. Superficial job search or work experience programs may provide temporary help to those already prepared to enter the labor market but offer little assistance to recipients with more serious barriers to employment. In contrast, research by the Manpower Demonstration Research Corporation (MDRC) strongly suggests that the greatest returns from welfare employment programs may be achieved by focusing resources on more disadvantaged segments of the AFDC population. Careful evaluations of Supported Work and CETA training efforts have similarly documented the benefits of serving individuals with more serious barriers to employment.

The provision of incentive bonuses to states which reach appropriate performance goals can provide a useful mechanism for encouraging the development of more intensive services targeted on harder-to-employ individuals. Unfortunately, data that exist on the past performance of welfare employment programs, and particularly those focused on more disadvantaged AFDC recipients, do not provide a sufficient basis for the establishment of reliable performance standards which would prevent the dilution of scarce federal resources. Therefore, we encourage the Subcommittee in the initial year of any new welfare employment program to reward states solely for their success in stimulating voluntary participation and serving more disadvantaged adults on AFDC, and at the same time to require state data collection efforts which could serve as the basis for more comprehensive performance measures in subsequent years.

Finally, the cost-effectiveness of federal welfare employment programs cannot be guaranteed unless the use of federal funds is restricted to activities which have the potential for enhancing the employability and eventual self-sufficiency of adults on AFDC. While structured work experience for a limited period of time can prove valuable for individuals without a recent employment history, open-ended work assignments as currently authorized under the Community Work Experience Program (CWEP) have not been shown to be effective in improving prospects for employment among disadvantaged adults. Furthermore, there is considerable potential for abuse of mandatory work assignments under CWEP, as evidenced by reports from New York, Pennsylvania, and Mississippi that regular employees are being replaced with uncompensated CWEP participants. For these reasons, CDF urges the Subcommittee to prohibit the use of federal funds for CWEP, allowing states as an alternative to operate supervised work experience programs for a maximum of 13 weeks as currently authorized under WIN.

Ensuring the Provision of Quality Child Care

Virtually every set of pending welfare reform proposals acknowledges that child care must be provided while the family is on AFDC and continued when the family is moved off the rolls. Yet funds to support quality child care are not available, and even if funds are appropriated for this purpose the nation's child care system cannot immediately expand to accommodate dramatic increases in demand. The complexities involved in providing child care to new large groups of low income children must be addressed.

A review of child care needs across the country reveals that the lack of adequate child care at reasonable cost is already a barrier to stable employment for many Americans.

- A 1985 study in Washington state found that nearly two-thirds of AFDC mothers surveyed identified child care difficulties as a primary obstacle to seeking and keeping a job.
- In Colorado in FY 1985, 7,062 AFDC mothers registered in the WIN program each month, yet only 433 children of WIN participants received subsidized child care.
- In Tennessee, licensed programs are available for only one out of five infants and toddlers who need care, and estimated 65,000 children care for themselves before and after school while their parents work.

The recent GAO report, Work and Welfare: Current AFDC Work Programs and Implications for Federal Policy, noted that about 60 percent of its AFDC work program respondents said that lack of child care prevented participation. In certain areas, shortages of child care providers seemed to pose major problems in arranging child care for participants. Work programs, however, reported spending very little on child care. Child care accounted for only 6.4 percent of the median program's budget.

Many of the AFDC work programs turned to the Title XX Social Services Block Grant for assistance. Yet this major source of federal funding for day care has been significantly reduced in recent years. In 1981, funds for Title XX were cut by 21 percent. In 1986, 29 states spent less in real terms for Title XX child care services than they did in 1981, and 23 states served fewer children. The $2.7 billion available today for the Title XX Program, only a portion of which goes for child care, is only one-half the amount in real dollars of its value a decade ago.

Parents in education or training programs have been particularly hurt by these Title XX cutbacks because their child care needs are often seen as a lower priority. Since 1981, over 20 states have completely eliminated Title XX funded child care for mothers in school or training or restricted the school or training programs that were eligible for Title XX assistance. The child care disregard, under which AFDC recipients can deduct their child care expenses from their earnings, is also not available to women in education and training programs.

Part-time education, training, and employment activities are increasingly being described as options, particularly for parents of young children. Such a recommendation, however, does not necessarily ease the burdens involved in finding adequate child care. In fact part-time child care may be even harder to find than full-time care, because providers are reluctant to give up a slot that will be used for only a portion of the day.

The gaps between child care supply and demand are even more obvious for young children, particularly infants and toddlers. Significantly higher costs of care for very young children due to lower staff/child ratios and smaller group size have resulted in a scarce supply of affordable regulated care. It is not unusual, for example, for the monthly cost of infant care to exceed the monthly grant that a three person AFDC family gets in some states.

- In California, infant care costs range from $290 to $400 a month at licensed day care centers, as contrasted with $200 a month for pre-school care. Family day care rates average 21 percent more for infants than for older children.

- In St. Louis, Missouri, child care in a licensed center ranges from $260 to $320 a month for children under two. Family day care for infants ranges from $180 to $200 a month.

Approximately 60 percent of AFDC families have children younger than six; 37.9 percent have children under three. It is not realistic to assume that child care can be immediately provided for even a significant portion of these children. As a first step, therefore, we urge you to provide a source of child care funding that can accommodate those parents with young children who choose to participate in education, training, or employment programs. The child care subsidies provided must allow parents to purchase care in supportive settings. Preferably, child care should be provided through contracts with child care providers or through child care certificates.

It is important that parents not be pressured into piecing together a network of low-cost or no-cost arrangements, including relatives and unlicensed providers, that may be fragile and unreliable. Such arrangements may jeopardize the parents' employment experience and also deny children the developmental supports they need. Studies have documented the valuable long-term effects of "preschool" and "early childhood development" programs such as Head Start on low income three and four year olds and states are making progress in developing such programs. It is terribly important therefore that you not promote the development of a "two-tier" child care system in an attempt to push all parents of young children into training or employment programs. AFDC families must be helped to locate high quality care and assisted to pay for it. In many states it may be necessary to provide funds to increase the supply of licensed care, as California has done.

Establishing Transitional Assistance

The success of state efforts to help AFDC recipients achieve self-sufficiency also depends heavily upon steps by the Subcommittee to improve assistance provided for those individuals on AFDC who are making the transition to employment. Key changes in the AFDC program which CDF encourages the Subcommittee to consider include:

- extension and expansion of the earned income disregards, eliminating the current time limitations and applying the disregards in both initial eligibility and subsequent benefit determinations;

- eliminating the 100 hour work rule as it applies to families in the AFDC-Unemployed Parent Program;

- indexing of deductions for work related expenses so that they keep pace with increases in actual costs; and

- a requirement that the Earned Income Tax Credit be adjusted for family size and disregarded in calculations of AFDC and food stamp eligibility and benefits.

These changes must be made this year if we intend to reward parents on AFDC who seek employment in order to better support their families.

It is also essential that families continue to receive child care and health care assistance when they lose their AFDC benefits for employment-related reasons. Many proposals have recommended continuation of assistance for at least a year, and certainly that would be an improvement. However, we urge you to go beyond a simple twelve month extension because for too many families nothing magical happens at that point.

With regard to child care assistance, we recommend that you continue a family's assistance on a sliding fee scale basis until its income reaches the level which would make the child ineligible for subsidized child care in the state where the family resides. Under the Massachusetts ET Program, for example, families continue their eligibility for child care vouchers for a year during which time efforts are made to get them into other subsidized child care programs. Those families not able to get other help are often then granted extensions of child care assistance beyond a year.

A similar approach should be used in the provision of health care. We urge you to mandate continuous Medicaid coverage for at least 18 months for families who leave AFDC for employment related reasons and to then provide states several options for extended coverage after 18 months. States should be able to use Medicaid funds to buy group health insurance for families in instances where employer coverage is available but cannot be afforded, or to provide Medicaid to low income workers on the basis of an income-adjusted premium if insurance is not otherwise available. Unless some ongoing health care assistance is provided, those who are employed in low paying jobs will likely have no coverage for themselves and almost certainly none for their dependents. In the United States today, three-quarters of the uninsured are workers and their families. Two-thirds of all uninsured workers have employers that offer no health insurance coverage. Only eleven percent of uninsured workers even have the option of purchasing group coverage.

IMPROVING INCOME SUPPORTS FOR THE NEXT GENERATION

Too frequently in discussions of welfare reform the needs of children for basic income supports are ignored as all attention is focused on their parents. Consistent with a preventive investment strategy, we urge you to address the need for early investments and supports for children in poor families to ensure that they too develop the strengths necessary for later self-sufficiency.

Today we are failing to provide basic income security to many of America's children. More than one out of every five children in 1985 lived in families with incomes below the poverty line and more than 40 percent of these were in families whose incomes were less than half of the poverty line. Many of children are poor because they are receiving no help at all from absent fathers, or are receiving very inadequate child support payments. Data analyses by the Center on Budget and Policy Priorities also show that half of the increase in poverty since 1981 is due to a decline in cash benefits such as Social Security, unemployment insurance, and public assistance. Today we will focus only on the inadequacies of current support available to poor children and families through the AFDC program, because we understand there will be a later opportunity to discuss with the Subcommittee needed reforms in the child support area.

In most every state today families and children who receive AFDC must subsist on assistance at a level far below the poverty line. The maximum AFDC benefit for a family of three in July 1986 was less than half the federal poverty level in 31 states and the District of Columbia. According to federal poverty guidelines, in 1986 a family of three needed $760 a month to meet its most basic needs. But the state of Alabama provided a maximum AFDC grant for a family of three of $118 a month; Illinois provided $341 a month; Massachusetts, a more generous state, provided $476 a month; and California, the top state in AFDC benefit levels (after Alaska), provided $617 a month.

Benefit levels are increasingly inadequate because almost no state has adjusted them to keep up with inflation during the 1970s and 1980s. Real AFDC monthly benefits fell by 33 percent in the median state between July 1970 and January 1985.

Even with the help of food stamps, AFDC families generally fall well short of the poverty line. In July 1986 help provided by these two programs to an AFDC family of three was less than three-fourths of the federal poverty line in 40 states and the District of Columbia, nearly double the number (21) in 1981.

Many Americans spend more on cars each month than states spend for cash assistance to a poor child. In August 1985 the average monthly AFDC benefit per person was $117.70. According to the National Automobile Dealers Association, the average monthly installment payment for a new car purchased in 1985 was $274.56 -- 2.3 times as high.

Initial steps must be taken now to encourage states to increase benefits available to poor children and families. First, the Subcommittee should amend the AFDC statute this year to require states to adjust their need standards, against which AFDC benefit levels are established, to reflect adequately current living costs in the state. And in an attempt to compare living costs across the country, the standard of need in each state must be required to include, at a minimum, basic necessities such as housing and furnishings, food, clothing, transportation, utilities, and other maintenance costs.

It has been almost 20 years since states were last required by Federal law to update their need standards, and in a number of states they remain extremely low. As of July 1986 the need standard for a family of three (theoretically the amount a family requires to support a minimum standard of living in a state) was below the federal poverty line in every state, and in 38 states was below 75 percent of the federal poverty level.

The Subcommittee should further amend AFDC to require states to begin to phase in benefit increases to meet the standard and offer states an enhanced federal match as an incentive to do so. By October 1991, all states should be required to provide combined AFDC and food stamp benefits at least equal to 75 percent of the federal poverty level with subsequent increases to 100 percent. It is important for us not to lose sight of the need to support our children adequately as we are working to enhance training and employment initiatives and child support enforcement efforts.

All families, including those headed by employed individuals, should be assured a level of subsistence that will enable them to meet their children's needs. Rather than penalizing families that are struggling to work, often part-time and at very low wages, supplemental assistance should be available to support them. The expansion of the AFDC earnings disregards would be a significant step forward in that direction.

An adequate income support system is also critical for families in which parents are not able to participate in education, training or employment programs. The parents themselves may have medical or emotional problems, or be caring for others with such needs. For example, the Illinois Young Parents' Program, a special education, training and employment program for parents younger than 21 on AFDC, found that about one-fourth of the parents who chose to enroll in the program had family or other social problems preventing their immediate participation in the program's education or employment components and requiring services from other providers.

As we work to improve the level of assistance available for poor families, we must also take immediate steps to ensure that these benefits are provided in a way that supports families. CDF strongly supports your efforts to require all states to extend AFDC coverage to otherwise eligible poor two-parent families through the AFDC-Unemployed Parent (AFDC-UP) program. We also hope you will include in the AFDC-UP mandate a provision that will allow young parents to substitute quarters in school or job training programs for the prior work history requirement.

As you attempt to support families through AFDC, we also urge you to repeal the grandparent deeming and standard filing unit requirements added to the program in 1984. These changes in the AFDC program's federal statute have put additional pressures on young parents to live apart from their own parents. The first change requires that in determining a minor parent's AFDC eligibility, a portion of his or her own parent's income (if that grandparent is not receiving AFDC) must be counted as available to the minor parent and the grandchild when they are living in the parent's home, regardless of whether the parent's income is actually available to and being used to help the minor parent and child. Prior to 1984, the parent's income had to be counted as available only to the minor child but not the grandchild, unless the grandparent actually was contributing to the grandchild's support. As a result of the provision, there is evidence that some teen parents who had been living at home have lost AFDC and medical care for themselves and for their babies and in some cases have been forced to move out on their own.

The standard filing unit requirement has also placed increased pressure on young teens in AFDC families to move out if they have babies. Because under the change the teen is not eligible for a separate grant for herself and her baby, her own family's already inadequate AFDC grant must be stretched further to meet her infant's needs as well. The additional $30 to $60 a month typically added to the family's grant is barely enough to pay for diapers and certainly does not cover other basic needs.

Policies such as these which pressure young parents to forego the supports and opportunities that may be available to them if they choose to live at home must be eliminated. In our view, an approach that ensures that minor parents and their children who are able to live at home will be financially as well off as if they establish their own households is the most effective way to encourage them to stay at home.

Certainly the challenges involved in better meeting the needs of poor children and families in this country are great. We are encouraged by the increasing consensus about at least some of the essential elements that must be addressed in any strategy to help all families escape poverty. As you know, however, poor families will not be helped by consensus alone. Therefore, we urge the Subcommittee to begin now to translate this consensus into specific actions this year. I believe the recommendations I have made this morning offer you that opportunity to move ahead. The Children's Defense Fund is eager to work with you as you do so. Thank you.

Chairman **Ford**. Thank you very much.
Mr. Kevin Aslanian.

STATEMENT OF KEVIN M. ASLANIAN, EXECUTIVE DIRECTOR, COALITION OF CALIFORNIA WELFARE RIGHTS ORGANIZATIONS, INC.

Mr. **Aslanian**. Thank you.

I am with the Coalition of California Welfare Rights Organizations. We are pleased to be here to testify before you about this important event which will affect just about every AFDC welfare recipient welfare mother in the country.

In the past, in 1960's, the welfare commissioner descended upon Washington and promised Congress that give every AFDC recipient a social worker and we will find them jobs. After 10 years of giving open-ended appropriations to social workers, the Congress discovered that the case loads did not go down, they went down. Welfare commissioners are back again in 1987, 1986, asking again for case management, open-ended appropriations, and now employment and training programs, to find everybody a job.

I think after 4 to 5 years, you find that that is not the case because we still have about 7 million people unemployed in America and there is about 1.5 people on AFDC and a limited number of jobs in America.

In California, 1980, 30 percent of the cases was working and had outside income. Today, it is down to 5 percent. It is not that work is not attractive these days; it is that if the woman works, she cannot feed her child, the children starve the last 2 weeks of the month because the food money goes for child care and for transportation, and the reason for that is very simple.

In 1981, deductions are limited to 4 months and then you changed the $30 to 12 months, but, still, the one-third deduction was limited to 4 months. That has to be rescinded. The 30 and a third should be open-ended.

AFDC recipients are only allowed a $75 work-related deduction. The $75 is supposed to account for the difference between the net and the gross income, and also the transportation. That may have made sense in 1920, but in 1985, it is ludicrous.

Women are penalized for late reporting. If the monthly income report is due on the 11th day of the month and they happen to get it in on the 12th day of the month, 2 months down the line, they do not get the child care deductions. So, what happens, she has to quit her job because she cannot pay the child care. The late reporting penalty should be abolished.

You need to mandate AFDC–UP and wipe out that hundred hour rule. That hundred-hour rule is nuts.

If a woman is working and then she is laid off after working for 6 months under the retrospective budgeting, 2 months down the line they continue to count this income. So, pretty soon what happens, the reward for working is that they end up homeless and foodless because they do not have the money to pay the rent and they do not have the money to buy food with. We would recommend, as reflected in our written testimony, a hundred percent supplemental payment where the income is reduced by more than 80 percent.

We also believe that there should be coverage of pregnant women. A woman pregnant for the first 6 months, gets no AFDC. So, your only option basically is an abortion or maybe have a deformed baby, and we believe that all children, even unborn children, are children that should be deemed to be a child for the purposes of AFDC.

We also suggest that you should expand and make emergency assistance mandatory on all States and target it to make sure that people in immediate need of emergency assistance, get some kind of aid.

We suggest that what we have over here is a jobs problem. Welfare recipients want a job, they do not want a welfare check, and please do not send us to the welfare department to get a job. Jobs in America are obtained from the employment service agencies. That is where the jobs are, and I do not know why welfare recipients are being asked to go through welfare department to get a job.

When you have electrical problems, you do not call the plumber, you call an electrician, and we have a job problem and they are sending us to the welfare department, and we object to that.

There is a lot of talk been going around about contract, client choice and mutual decisions and all these other things. A contract basically is a product of a bargain between two equal parties. There is no way that a client could bargain with the all mighty social worker who holds the money in her or his hand and if the client is not obedient, then the client will not get that money to pay for the rent and for the housing and for the utilities and all this other stuff. So, there is no way that they are going to bargain. That is an illusion.

Moreover, you cannot bargain if it is mandatory. If a client has to participate, you cannot bargain. I was looking at the APWA bill, the APWA bill says that there will be a contract between a client and the social worker, but if the client does not comply with the provisions of the contract, they will be sanctioned. What happens to the State if they do not comply with the provisions of the contract. Nothing, except that the client will not be sanctioned for not complying with the contract.

So, you see, there is enforcement for the client but no enforcement for the State. There is no equality.

Child care and transportation. Every bill that we have seen all talk about child care. They are going to give everybody child care, they are going to give them transportation, but it never says how you get there. In California, we have workfare recipents out there looking for a job. They go out there, look for a job while the kids are in school. Somebody offers the person a job. The person goes back to his or her social worker and says, look, I got a job, I need child care. Social worker says: "Sorry, we have no child care available." "Well, what do I do, turn down the job?" Then, that employer calls up the Congress person and says there are lots of welfare recipients that do not take jobs, and next day the welfare recipient is out there looking for a job again. It is ludicrous that that is how these programs are designed and the only remedy for that basically is to say State or local agency, you cannot send anybody out there or enroll anybody in this program unless you have a guaranteed child care slot with that person's name on it.

They should pay actual pay for child care and the client should be given a form that they could use to request the child care, and the contract situation is the same thing. Like they say, their clients are going to have options. What options? I mean, you go and sit down with your welfare worker, there is no way you are going to be able to select an option. The only way that we have thought that this is remotely possible is if you require that the State or local welfare agency mail a letter in black and white to the client, to his or her house, in which he or she could sit down in private and fill out this form. The State could assess a person and on that form say what they believe the best thing for that person, like workfare, but there are other options over here, like employment, training, education, this and that, and then the client in his or her privacy says yeah, this is the one I want, and ships that form back to the welfare department The statute should say that whatever the client selects shall be deemed to be appropriate, unless the State or local agency has clear and convincing evidence that what the client has selected is totally inappropriate for him or her.

Then, a client—you have empowered clients to make a choice. Otherwise, this mutual decision will never work.

On education, it is kind of vague as to what kind of education we are talking about. I mean, I believe that generally what happens, we get a GED and GED is nothing. I think education should be open-ended and it should be the client's decision as to what kind of education he or she wants and not the all mighty State or local agencies' decision as to what kind of education he or she wants.

Net loss of income should be—there should be some specificity as to what net loss of income means. I do not think anybody should go to work and not get enough money to pay for the rent, utilities and food and work-related expenses. That is the least you should be able to do; feed your children when you go to work and right now, the provisions we have seen, if you get more than AFDC, then that is okay, but that does not account for child care and transportation and other work related expenses.

So, net loss of income has to be more precisely defined. Sanctions. The most barbaric thing of the WIN program are the sanctions. In fact, in California, we just had Mr. Bigfoot who committed suicide. He committed suicide because he was quite disabled, but he was not able to get a doctor to say he was disabled for the welfare department purposes. So, therefore, he was in a two-parent family and in the two-parent family, if the parent does not cooperate, for the first offense, the entire family is sanctioned, is cut off of whole AFDC for 3 months; for the second subsequent offense, it is 6 months. Okay.

So, Mr. Bigfoot decided that his children would be better off if he is dead than alive, and he committed suicide. We have some language for you on sanctions that says that you can sanction the person who is committing the offense for not cooperating as long as that person fails to cooperate. Once they cooperate, then they should be back on the program, and you should never, never punish the children for what their parents do. That is outrageous.

There should be a strong conciliation period where if a person fails to cooperate, they should be given a second chance. In America, everybody gets the benefit of the doubt, everybody gets a second chance, except for welfare recipients. We get one chance and that is down.

Welfare recipients have no service centers. We propose that if you are going to have an employment program, there is going to be a lot of problems emanating from that—you have service centers for senior citizens, you have service centers for veterans, but no service centers for welfare recipients, and we would suggest that there be service centers for welfare recipients operated by recipients themselves and not the other types of groups who basically are only in it for the money.

Giving priority to volunteers. Sounds good, but it won't work in the real world because what happens in a typical welfare office, ten people come in, five are volunteers, five are mandatory. They have five workers there. So, they run all 10 of them through the system. One way that we thought of that may work and that came to my head yesterday is that funding is what really runs the States, money, and if you provide 100-percent funding for volunteers, unconditional funding, and conditional funding for mandatory registrants. When I say conditional, that means that only if the client gets a job do they get money for training that person, that they get full funding for training volunteers. Then pretty soon the States will get the message. The other thing is that there is this big argument that voluntary versus mandatory, and you have the two extremes.

On one hand, people are complaining about volunteers, voluntary programs, because it would just touch the cream, just the cream of the people, and, of course, the reverse of it is an assembly line approach like we have in California. Everybody goes through the process, and that is most of the bills that we have seen do. Everybody goes through the process, and I think there is a middle ground over there. When this discussion gets going, what they really come down to is the long-term welfare recipients who should be mandatory participants, and what you are really talking about is a woman who has been on aid for maybe more than 6 years and who has a child over the age of 12 years old. They have real problems.

Those are the people that I am most concerned about because within 4 to 5 years, they are going to be out of AFDC. Those are the only people that we would suggest possibly making a mandatory recipient. For the rest of them, most people find work. They find jobs without these glorified programs, and we have seen that all over the place.

I would like to give you an update on the State of California workfare program. As of December 1, they spent $40 million. They have enrolled 7,684 persons. They actually found jobs for 200 people and that comes to about $200,000 a job, and I would like to submit this to the record.

Chairman FORD. Without objection, it will be made a part of the record.

Mr. ASLANIAN. Thank you. We have reviewed APWA proposal and basically it is sort of like a block grant proposal, and what it does, it gives the state maximum flexibility to devise the program and do anything they want to do with it, and it also has lifetime workfare in it.

So, we basically will oppose that program.

Thank you very much.

[The prepared statement follows:]

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Statement of Kevin M. Alsanian, Coalition of California Welfare Rights Organizations, Inc.

THE PAST

More than 20 years ago, social workers appeared before Congress and said, "Give each client a case manager and we will find them jobs."

Based upon this promise, the welfare system was operated through the case management system. Each client had a social worker who would provide the public assistance and also help the client get a job.

After several years Congress realized that the caseload was not decreasing, but more and more money was being spent for social workers.

In the early 70's, Congress changed the law and enacted Title XX, which put a cap on the amount of funds that could be used for social workers. Since then, social workers and their industry, such as the American Public Welfare Association have been trying to find a way to receive more money for themselves. In 1987, it seems that the sun is shining again on APWA.

They are back again, promising to find jobs for welfare recipients through case management by giving maximum flexibility and open ended appropriations.

Has anybody asked what the clients want or need? No. APWA does not represent poor people. APWA is a special interest group only interested in promoting their own interests, on the premise that they have only the recipients needs in mind. APWA refuses to accept consumer involvement in their process in any meaningful manner, because they are an association of primarily welfare/workfare bureaucrats and not welfare/-workfare clients. Representatives of states, counties and APWA do not represent the views of the consumers, rather they are diametrically opposed to the views of the clients.

ELIGIBILITY PROBLEMS FOR THE WORKING POOR

Many welfare recipients cannot feed their children adequately if they work full time or part-time. They can feed their children only if they stop working and not incur work related expenses.

Under the current AFDC program, a two-parent family with a principal wage earner working more than 100 hours will not qualify for aid.

A single parent, has to face many hardships when accepting employment. She has to send her monthly report to the welfare worker, complete and on time and with all of the verification that the state or local welfare agencies may wish to see. If she fails to do this, she will not be allowed to have the limited incentive deductions and will not be allowed her actually incurred child care deductions two months later, under retrospective budgeting.

If she is laid off, she will receive reduced benefits for two (2) months because of her income of two months ago. Thus, she will fall behind in her rent and most likely will face eviction. Her reward for work--loss of housing.

The 1/3 deduction is limited to 4 months and the $30 deduction is limited to 12 months. Recipients also receive a $75 a month standard deduction to cover the difference between the gross and net income, transportation and other work related expenses. This is unrealistic. It may have been realistic 60 years ago, but not in 1981, or 1987, when these changes were enacted by the current administration.

If any of these programs are going to work, it is time to change existing laws making sure that families do not go hungry,or lose their housing because the head of the household went to work.

To do this, we **recommend:**

a. Deduct the $30 and 1/3 from the net income of the family, not the gross income;

b. Deduct any and all actual work related expenses, such as transportation and child care;

c. Abolish the provisions in the law which prohibit work related deductions for late reporting of income;

d. Abolish the 100-hour rule for the two-parent family;

e. Mandate 100 percent supplemental payments for persons whose actual net spendable income has been reduced by at least 80% of the family's needs level.

f. Mandate the payment of AFDC benefits to all children, including the unborn child.

EMPLOYMENT, TRAINING AND EDUCATION PROGRAMS FOR WELFARE RECIPIENTS

The program should be devised to give maximum flexibility to recipients to independently decide how they are to embark upon the road to independence and self sufficiency. In addition, states should be given the flexibility to be responsive to the flexibility that is given to recipients.

To date, most work program proposals have been able to give maximum flexibility to the welfare department to operate a work program for welfare recipients with small children.

There are some "buzz" words circulating about such as "client choice"; "contract between the client and the workfare worker"; "child care and transportation" and "education", etc. The truth is that there is no such thing as "client choice" as long as the states have maximum flexibility to do whatever they want.

CONTRACT

There is no way that a client and the workfare/welfare worker can enter into a contract. A contract is the a product of a bargain between two "equal" parties. There has to be consideration in order for the contract to be a valid contract.

The workfare/welfare worker holds the money that the family must rely on to pay for their housing and to buy food to feed their children. The client has to either cooperate or face sanctions, which means loss of welfare benefits. Thus, there can never be a valid contract between the client and the workfare worker, as long as participation in the program is **mandatory.** Such a contract is possible, if participation by the client is voluntary. A mandatory signature on the contract is not an agreement. It is verification that can and will be used against the recipient in the future if he or she fails to satisfy the whims of the workfare/welfare bureaucrats.

THE STATE AGENCY PROVIDING EMPLOYMENT AND TRAINING SERVICES TO WELFARE RECIPIENTS

When a person has a medical problem, they go to see a doctor, not a plumber. When a welfare recipient, or another person needs a job, they approach the state employment agency, not the welfare department.

To date, most bills would designate the state and local welfare agencies as the entities that would provide services to welfare recipients.

Yet all of the current bills are sending welfare recipients to the "plumber" when they should be seeing a "doctor".

Having welfare recipients go to the welfare department for jobs, will mean that welfare recipients are limited to jobs that the welfare department provides. Other people in our society will be able to get the better paying jobs through other employment agencies. This is a way to segregate welfare recipients from the rest of the public.

The real problem is the lack of jobs, not the failure of the state employment agency finding jobs for welfare recipients.

CLIENT CHOICE-MUTUAL DECISION

The idea that clients would be able to mutually decide which component they are going to select sounds good, but it is an illusion which cannot possibly happen in the real world.

The power that the workfare/welfare bureaucrats can exercise over the client will never allow the client to make a decision as to which component he or she desires. What will happen in the real world is that the worker would tell the client which component he or she should participate in and the client will agree to it in writing. The worker will swear under oath that this was a plan that was mutually agreed upon. It will be the clients word against the workfare/welfare worker and it is evident as to who would be most believable in the welfare hearing process--hearings conducted by welfare bureaucrats.

The only way that the client could ever have a choice, would be to mail the client a form, whereupon he or she would choose the component he or she wishes to participate in, and what he or she wants to do. The choice of the client shall be accepted, unless there is convincing evidence that such selection is completely inappropriate for the client. This suggestion has been opposed by APWA. Their opposition stems from their false concern that some clients may not be able to complete these forms, because they (cleints) cannot write. The reason we say this is a **false concern** is because any person who has ever worked in the welfare system knows that when a person applies for aid, they are given an application and told to complete it and bring it back. Never would the state or local welfare agency ask the client "Can you complete this on your own? If you cannot we will help you."

This is the only way people can make an informed choice without having the workfare/welfare bureaucrat breathing down their necks. The forms should also inform clients of where they can get help in selecting an appropriate component, such as the local legal aid or welfare rights office.

CHILD CARE, TRANSPORTATION & ADVANCE PAYMENTS

Most of our clients will never receive child care services. None of the bills introduced to date have ever required that child care slot actually be available if a recipient is offered a job. Rather, there is this fancy language of insuring child care if needed. The welfare department is the one who decides if the client needs child care. Thus in many cases families in need of child care are not provided with child care because the power of giving child care is with the workfare/welfare bureaucrat.

The San Diego County Workfare Program proved that workfare recipients rarely received any child care services. The new California Workfare Program demonstrates that very few of the participants get any child care services. Yet thousands of persons are looking for work without any assurances that child care is available to them if and when they find work. And if they do find work, they are forced to reject the job offer, because they have no child care. Then continue looking for work again without any assurences that they have child care if a job is offered to them.

Transportation and other expenses are reimbursed, however, rarely do clients receive advances. Many have to see their children go hungry because they have spent their food money on workfare related expenses in order to keep their benefits.

All clients should receive advance payments for program-related expenses unless the client waives his or her right to such expenses.

Clients should be reimbursed their actual costs of transportation and related expenses. Workfare recipients are only given bus fare, even if they use their own car. On the other hand, workfare/welfare bureaucrats get actual costs of transportation plus per diem. Why the difference? Why can't workfare bureaucrats be treated the same as their clients.

We would recommend that any bill which passes provide that it be illegal for the workfare/welfare bureaucrats to receive higher expense/reimbursement than their clients.

EDUCATION

The proponents of employment programs have failed to be specific as to what they mean by "education program."

It is left to the decision of the states as to what is an educational program and which client should be in what educational program. In California refugees are pulled out of remedial education and herded into job search training programs. It is not unusual to find refugees looking for work who cannot even communicate in English .

Education has always been the path to better jobs. Republicans and Democrats talk about educational opportunities, except when it comes to welfare recipients, who are not allowed to enhance their educational goals beyond high school.

Other people can go to school and get a

better education, but welfare recipients are stuck on welfare. Many states deny benefits to women who take initiative and try to enroll in school to take courses that would secure them a decent job so they can get off of welfare.

On one hand, people complain about welfare recipients not doing anything to get off of welfare and the millions of dollars that are spent so welfare recipients can get off of welfare. Yet when a welfare recipient tries to get off of welfare, she is punished by having her aid taken away.

The message is very clear: do not make an effort to get off of welfare, unless it is under the supervision of your workfare/welfare bureaucrats. Violate this rule and you are severly punished by losing aid for months.

We would urge the Subcommittee that any bill marked up contain language allowing recipients to embark upon any type of educational path when they assert it would lead to employment, unless the state or local agency has evidence to the contrary, including any self-initiated training and educational program at any time.

SANCTIONS

The severity of punishment for those who fail to cooperate with the workfare/welfare bureaucrats needs immediate repair. They violate the U.S. Constitution in that they impose cruel and unusual punishment upon the helpless children of America.

Under the current law and the federal regulations promulgated thereunder, a two-parent family who fails to please the whims of the workfare/welfare worker would lose any and all AFDC benefits for three months for the first time and six months for the second and subsequent time. For single parent families, only the children are aided. These durational ineligibility periods are indeed unconstitutional and violate the basic American values in that the punishment must fit the crime. Does the punishment of denying housing and food to innocent children for up to six months fit the crime of not cooperating with the workfare/welfare worker? Hardly.

We would suggest that only the parent be sanctioned, and such sanction shall last as long as the parent fails to cooperate. If the person refuses to cooperate more than once in a given month, then the person who did not cooperate or participate should be sanctioned for only one calendar month.

CONCILIATION

Under the current WIN program clients are given a second chance before they are sanctioned. All of the proposals that we have seen to date do not have this feature. We would suggest that conciliation be included in a bill that would move from this subcommittee similar to the langauge passed by the California State Legislature.

WELFARE SERVICE CENTERS

The President's Commission on Hunger has identified the problem that low-income persons do not know their rights under the various programs. In fact, Ronald Reagan had once said that he was shocked that there are hungry people in America when there are all of these programs available. In part, he is right. People are hungry because they cannot reach the programs set up to serve them. This is because of the punitive state and local welfare officials developing all sorts of punitive ways to deny benefits to families in need.

The situation is going to get much worse, if Congress passes a mandatory workfare program for all.

We would suggest that welfare recipients have their own service centers operated by welfare rights organizations or other recipient organizations controlled by welfare recipients, similar to the senior service centers, veteran's services and service centers for other segments of our society.

FUNDING MECHANISM

One of the major issues facing Congress is how to fund this program, and also assure that Congress is not, again, just throwing money at a real problem.

We would suggest that there be a contract between the federal government and the states for payment to states for persons who have obtained employment, if this is the real purpose of this program.

Under this concept states will only receive funding for the number of jobs that welfare recipients are able to obtain directly as a result of their participation in the newly devised work programs. The federal government should verify the information submitted by states through the quality control type of program and prosecute for submitting false claims, which is common practice by most state welfare agencies.

CONCLUSION

We thank you for this rare opportunity to appear before this Committee and convey the thoughts of the persons who will be affected by this debate on welfare reform.

Most of the recommendations embodied in this testimony are a reflection of our "Welfare Reform Bill" which was submitted to your staff for consideration. Our legislation addresses the abuses experienced by recipients at the hands of state and local welfare agencies and recommend certain "protections" or "safeguards" against these abuses. To date, these safeguards are not reflected in any other bill introduced either last year or this year.

Respectfully Submitted,

KEVIN M. ASLANIAN, Executive Director

3/9/87

Chairman FORD. The Chair would like to thank each panelist for your testimony before the subcommittee.

I would like to raise a couple of questions to the panelists. Welfare reform has been proposed many times in the past, but legislation has not been enacted in this Congress.

I guess there are two questions. One is why is it that welfare reform has failed in the past and the second is can it be accomplished in this 100th Congress?

I guess, Father Harvey, since you were the leadoff witness, we will let you try to answer those questions.

Reverend HARVEY. I think there are a lot of reasons, but the one that I would begin with is that we do not have a rational decisionmaking process in public policy. The political process with the rivalry of special interest creates the public consensus.

We are talking about the weakest people in our society when we are talking about welfare reform. Therefore, how do you build that consensus? When this kind of a question comes up, I generally remember Michael Harrington, some 25 years ago, when he said if you are going to be poor, it is better to be poor with the majority, and when you think about how many of our parents and grandparents talked about the Depression, you might have thought they were the glory years. Yet, if you read the actual kind of things that took place, the suicide rates, the despair, the breakup of families, it was a terrible period.

The one positive thing that the majority of people work for as a result of this tremendous self-support is community building, but there was also an openness of the public sector to look for creative social policies that would be broad-based and supportive. So, we were able to come up with the Social Security Act, perhaps the greatest piece of social legislation in our history.

In the sixties, we returned to that agenda, gave it a lot of focus and we came up with Medicare and Medicaid. They may not be the greatest. They have many of the defects that the welfare reform people are concerned about, as well as the welfare rights people, but at least they extended a floor beneath the poorest people in that area.

I think if we look at it in terms of what allies can be found for good welfare reform, I may not be the greatest advocate of food stamps, but having an ally in the agricultural department came up with a piece of legislation that has probably done more to close the gap between progressive and regressive States in real family income than any other social policy.

In another area, if you look at this issue in terms of the Defense Department, the GI bill back in the forties probably was the best training program we ever had in this country and it mainstreamed millions and millions of people.

I think that since that time we have never been able to get that kind of broad-based coalition, and I think particularly in the last decade, the advocates for welfare reform have been the weakest. While my copanelist has commented that the social workers have descended in abundance, they have not come home with too much.

When the Defense Department descends, they go home with inflation-triggered incentives. The question came up earlier, is there not anything in the Defense Department to look at? There may not be certain weapons systems, but there are actually surpluses that have been held for the last 2 or 3 years because of unspent appropriations, because of inflationary indexing that the Department of Defense has enjoyed and no welfare person or program has ever enjoyed.

So, I think it is a very complex issue, but I think primarily it is the question that Harrington raises, that we are talking about very weak and unrepresented people, and we generally run into an impasse with some other more powerful reality. For example, the question of minimum wage that was raised. Why has it not been changed in 11 or 12 years?

You will notice that while I did bring up case management, I brought it up last. If you do have the two-parent considerations, if you do have greater work programs, if you do have a good national responsibility, then, indeed, the case management becomes the last methodology for the people who do not make it otherwise.

Those are some of my feelings on why welfare reform has not happened and it has happened only a few times in history and generally when other powerful forces have been the allies of welfare.

Mr. Aslanian. I work as a lobbyist in Sacramento, and there is no way you are going to go to college or sit down and do analysis as to why things do not happen or why they do happen. Things happen because of one person, one Congressman or one Senator, can be very aggressive and go out there and get it done, and there is no way you are going to write a textbook or analyze it as to how it happened.

Things happen and sometimes you do not even know how they happen or, if they do not happen, for example, today you are talking about the welfare reform and it is tied to the taxes, it is bizarre, but that is what you are dealing with, and why, God only knows, but that is the way our system works.

Does that make any sense? I do not know.

Chairman Ford. Well, it makes sense that it will pass, and I guess that this chairman will have to be aggressive enough to——

Mr. Allen. I think I began my comments by saying that the Children's Defense Fund is cautiously approaching these hearings with some cautious optimism, but I want to stress at this point, I think our optimism, I think that because of the ground work that has been laid the last 5 or 6 years, this committee and others, there is an increasing recognition in this country among a variety of segments about the plight of poor children and poor families, and what we as a nation need to do to improve those conditions.

That is why the Children's Defense Fund believes very strongly that when you talk about welfare reform that we have really got to talk about that three-pronged strategy and begin now to begin in steps in each of those prongs.

I emphasized today in the welfare prevention area helping youth become self-sufficient and avoid the need for welfare. Obviously, a second piece of welfare prevention are the issues that were raised in the questioning of the first panelist. The whole issue of minimum wage. The whole issue of adequate health care for the working poor, so, in fact, they do not end up going back on AFDC.

So, certainly the welfare prevention piece, then the employment and training piece, which is often, too often the only piece that gets talked about in the welfare reform discussions, and progress can be made if these steps can be taken this year, and then the third piece, which is also getting increasing attention in terms of looking at the adequacy of supports for those individuals who are not able to participate in the various employment and opportunities that are provided, and we are optimistic that some steps can be taken and must be taken this year in those regards and appreciate all of your efforts in that regard.

Chairman FORD. Thank you.

Father Harvey, I noticed in 1977 and 1988, the National Conference of Catholic Charities put together a campaign for human development, and I guess through the electronic network, you were able to put some tapes, and I do not know whether it is just—is there any video tapes? How successful were you in sending a message out about the conditions of our welfare system and about just human needs in general with the electronic campaign that you put on?

Reverend HARVEY. Well, if you look at the period from when we put that out and you see the cuts in social programs, the nongrowth of the minimum wage, I would say we were absolute failures. However, I am somewhat of an optimist in the sense that I think there was a lot of interest, but that kit went out just at the time when the economy was going through a major change.

I come from Pittsburgh. I am a former inner-city pastor. My parish was nearly 30 percent unemployed because it heavily depended on Jones & Laughlin and the B&O Railroad.

If I look back at that period, and I see what has happened, it makes me look at not basing my optimism on Massachusetts as the State example because Massachusetts welfare program improved at the same time its economic base improved.

If you look at the more rust belt States that have not had that kind of benefit, like Ohio and Pennsylvania, where coal and textiles and aluminum and steel have led to massive dislocations, then I think welfare has to be built on the assumption of training people and finding jobs and so on. But the reality is that the transition took a hundred years in coming and it may take a few decades in moving on unless we want people to vote with their legs.

So, I think I can say that we do much good. In many of our child care institutions, we do much good on behalf of children that have been abused or hurt. But the greatest good happens if the family gets reconstructed, if a new job happens, a new marriage, or something that creates an environment that that child can live in. Yet I do not want to close our institutions because many children are hurt very badly and need them in a protective sense, but not in a permanent sense.

So, I would say I am grateful that we did that. I think we got good broad-based discussion out of it, but I think it was not proportioned to the kind of power of the economic forces it had to meet.

Chairman FORD. Well, the purpose of broad-based discussion, is it possible that maybe the Catholic Charities could, during this welfare debate, from the national perspective, consider another kit on human development, on the issue of welfare?

Reverend HARVEY. We are looking into that at this time, Mr. Ford. We hope to use the Bishops' attention to the full economy in order to do that, so that we do not get trapped again only looking at welfare. I do believe some of the comments I made earlier about the competition with other realities going on in the environment, that if we isolate this debate too tightly, then even the best discussion, the best advocacy that is created still is limited in not being broad-based enough. But we will.

Chairman FORD. Thank you very much.

Mr. Brown?

Just one more question. Maybe you can respond while they are talking to the other witnesses. The administration has talked about demonstration programs. So, in your response maybe to some of the other members of this committee, maybe you can talk about demonstration programs. We are seeing on the State levels that many States have already been innovative enough to come with their own workfare, work, education, and training programs and whether or not we should focus on any additional demonstration or whether or not we should bite that bullet and move forward.

Mr. Brown?

Mr. BROWN. Father Harvey, it has been a treat to listen to you. You bring a very interesting perspective to the problem and one that I am sure both the chairman and I deeply appreciate your taking the time to contribute today.

Many folks have a feeling of frustration about welfare. I think most people feel our Nation has made reasonable effort—perhaps more than any country in the history of the world—to provide for the material needs of people who are poor.

We are now engaged in a debate about whether the Nation's welfare system is adequate, but when you combine food stamps, medical assistance, AFDC, public housing, unemployment insurance, Headstart, the Pell grants, and so on, we seem to have done a substantial amount, maybe more than anyone has, in terms of meeting material needs.

My question is, What do we do to meet spiritual needs? I am convinced part of what we are facing is a spiritual problem, and I am not sure anything we have on the table addresses it. Would you care to comment on that?

Reverend HARVEY. Well, I have been asked that question before when I testified before a panel, and I find it a frustrating question. I, as a church person, have to deal with that. I can feel guilty if I am not effective enough in my preaching. If I cannot create a community that lets people develop their full human potential, that is a real issue for me as a church person.

However, in this room, we are here to talk about public policy, and to a certain extent, that would be an inappropriate agenda. It seems to me, that somehow as a subcommittee of Congress, it is the policy issues that can help manipulate the environment so people can make the kind of choices that can lead them to spiritual enhancement of their personal lives, as far as professional development, social relationships.

So, I am sympathetic to the problem. I am just not sure we can deal with it here. I think I have to in my other life and in my other work deal with that aspect of it.

Mr. BROWN. Let me pose what I think is the toughest part of the question. Everyone here is sincerely dedicated to helping people. At times we run into differences as to the best way to do it, but the system we have created provides a decent package of benefits. A typical welfare program for the family would yield about $200 a month in food stamps, maybe $326 a month in AFDC, and perhaps a $100 to a $150 a month in Medicaid. And this accounting omits public housing, child nutrition, and some of the other programs.

As I total those up, it looks to me like you need a job that pays about $6 an hour or maybe a little better just to equal what you get on those programs. How do we build work incentive back into this system so that you do not make a portion of the people permanently dependent?

Reverend HARVEY. That is a different question, but you see it as the same question.

Mr. BROWN. Only slightly different. What I am trying to get at is human motivation. We can deal with it financially or spiritually, but——

Reverend HARVEY. I come from Irish heritage. If we go back to the famine of Ireland, 1843 to 1845, food was being exported from Ireland. It would not have been an appropriate time to say, "We have a spiritual crisis." If you change the economic crisis, the quality of life would have improved immensely.

Now, my grandfather chose to find it in another area, but if I do address your question, it would be from that perspective. For example, we have 32 Catholic Charities food centers in the State of Ohio. Unfortunately, I cannot get such information from many of our agencies because a lot of funders do not want to pay for the development of a statistical bank that can show us some of the motivational characterizations. I am very grateful to the State of Ohio because in monitoring 32 food centers from 1984 on, during the first week in January, the last week in April and mid-month in August, what we have been able to see is a graphic picture in a Rust Belt State of what issues are involved and which are motivational and which are systemic.

Some of those statistics are frightening. I happened to memorize some of them, so although I cannot quote each of those statistics over the 4 years or 3 years. I can for the last week in April in 1984. There were over 5,000 people who came to our 32 food centers. Only 5.5 percent of those were over 65 years of age, which indeed seems to imply that elderly people have been protected by public policies more than children were.

On the other hand, 78 percent of the people who came, which is a very large universe, represented two other people who did not come. This implies that they were speaking on behalf of children, usually single parents. Ninety-two percent of the people who came that last week in April in 1984 had a job within 18 months before.

The most typical age was 27 at 4.7 percent. The second most typical age was 33 at 4.1 percent. So, nearly 9 percent of that large universe were very, very young people and certainly employable because they had proven that in their earlier careers.

Now, we just received the statistics for 1986 and one of the most frightening items that jumped off the page at me was the most typical age for last year was 30, which means that the same people who were at age 27 are possibly still there.

Now, to approach that as a motivational question, I think, could lead us down a path that might take us to training and some really creative educational responses and some religious responses, perhaps. But I think to do that without looking at what happened to the industrial infrastructure of rubber, steel, and some of the other base industries of Ohio leads us to ask the question in another way, because I am much more sympathetic to finding the work opportunities that give the ultimate incentive and motivation.

Mr. **Brown**. Yes. We appreciate the problem, but we do not solve it.

Reverend **Harvey**. Well, I think you are working on an assumption that we have a solution. For example, many of the witnesses have already testified today that actually the welfare system is the disincentive itself. If you have to be unemployed in order to get Medicaid, then why take a job that for 11 years the country has said is worth only the minimum wage. Well, whose need was that answering?

Obviously, the need for cheap labor, but it was not answering the need to get the poor or the lower middle class to have a job that would give them the ability to make independent decisions. I mean, that is the kind of policy that we have had for about 11 or 12 years.

We have not looked at the minimum wage in terms of freeing the family. We have looked at it in terms of some economic questions.

Mr. **Brown**. You make a good point. Obviously, the awesome reality that we sometimes try and avoid is that we have to compete in the world market. It would be nice if we could ignore that, but I do not mean to fence with you on this question. Even so, when we discuss the minimum wage or a tax on transfer of securities, we forget that Toronto can sell securities just like New York and we forget other people produce products just the same as we do, and sometimes those decisions are not just a question of how charitable you are. Rather, it is a question of competition.

Reverend **Harvey**. It is also a question of policy. I mentioned Pittsburgh before. In 1959, Jones & Laughlin got the right of eminent domain and took 450 homes out of my parish with the promise to expand. They did not expand. They put a slag dump in. We lost 450 taxpaying homes. They put in that contract that they could not close the Pittsburgh work for 20 years. The last furnace they put in that place was in 1928. They never modernized.

One week after the 20th anniversary, they closed the Pittsburgh work. Now, somewhere along the line there could have been policy incentives to modernize that mill which is a trade question, which is a competition question, which is an employment question. That is why I said I think if we isolate the welfare debate from what other policies and who they are rewarding, it would be deadend.

Mr. **Brown**. You have a brilliant mind. I would love to discuss that question, but I suspect the chairman would think we are off the target.

But let me go back just a moment, if I could. Do you have concerns that we have negative incentives built into the welfare system?

Reverend **Harvey**. I do.

Mr. **Brown**. How do we change these incentives?

Reverend **Harvey**. I think I would, first of all, say, and I think I can quote the Children's Defense Fund representative, that in looking at what the national issue is, how can you put a national program that builds incentives in and not leave it to the States to use the bias of the least money spent. It is generally the bias of the least money spent that leads to greater waste. It puts in the disincentives, and I think our welfare rights activist would concur with that.

If you are saying that you have no incentive to go back to the work force and have a transitional period, medical support, they are going to say stay on welfare. Now, what can the Nation do in setting some kind of a policy that would give States an incentive?

I do not think a block grant approach will solve it. We have a national economy. How can we have a State welfare system? I think to look at it from that national focus is one of the beginning points of finding the answer.

Mr. **Brown**. Thank you.

Chairman **Ford**. Mrs. Kennelly?

Mrs. **Kennelly**. Thank you, Mr. Chairman.

I want to carry on Mr. Brown's train of thought for a few minutes, and before, I have just got a few things in front of me that I would like to address as the various witnesses gave their testimony.

I know Father mentioned commissioners—well, he did not mention commissioners. I think he mentioned social workers, and he said they do not come home or they are not home enough or some reference to that.

I would just like to put on the record that one of the reasons that I am supporting the American Public Welfare Association's bill is because it has been brought about and worked on and crafted by commissioners who are on site at home in each of the 50 States and will work with the Governors, and, so, it is not that welfare workers that do not go home.

Also, Father asked why has not the minimum wage been raised, why have not the legislators addressed that more. Well, part of the problem, Father, I have got to tell you is we have been addressing the last 5 years, we have been fighting the subminimum wage, and, so, really, it is just the last year. I think MaryLee will agree with me on this. Only in the last year have we been addressing the minimum wage because the economy has responded in many States. Unfortunately, many of the States have gone the other way to the recession of 1982.

I would like to just get these things on the record because things are said and then we go back and other people will read the record, and Mr.—is it Aslanian?

Mr. **Aslanian**. Yes, ma'am.

Mrs. **Kennelly**. Mr. Aslanian mentioned that he thought the American Public Welfare Association's proposal, my bill, looked very much like a block grant. I am going to send you a copy.

Mr. **Aslanian**. I have a copy.

Mrs. **Kennelly**. You have a copy. All right. I would have to disagree with you on that because I think what it does is call for a comprehensive welfare to work programs, which can be tailored by the States in what works best for them because we have learned and I have talked to numerous Governors, I have met with Governor Dukakis. I mean, I know you just discovered it, but my own State, I was in the administration of a State officer, and I am convinced that without the WIN moneys, we could never do the demonstration programs, and the demonstration programs could not have been successful at all without those WIN moneys.

We might be able to allocate some moneys on the Federal front, but we cannot have hands on like they can in the State, and I will tell you, my Governor will tell me, day after day after day, they will say Barbara, the State is—right now, my State is blossoming, and yet we have pockets of poverty in Hartford and Bridgeport, in New Haven, that we cannot deal with because we do not have that wherewithal without Federal help.

So, I just—you still think it is like a block grant, okay, but I do not.

Mr. **Aslanian**. There are some good States and there are a lot of bad States. What we are basically advocating is a Massachusetts-type national program where people will have a choice. And that is all we are saying, and what your bill basically does is allows any State to do anything, which basically means that they could do a Massachusetts-type program and God only knows what they are going to do in Mississippi.

They could have strictly workfare. Come in and work all 12 hours a day. For example, in Fresno, they have people who are workfare recipients who are harvesting the crops. Farmers, rather than hiring farm workers, they have workfare recipients harvesting the crops, and that is where this workfare is going to go.

Right now, you have workfare recipients working for the county and for the State, tomorrow the industry is going to look over there and say my God, what a great cheap work force. Send them all to the factory. We'll put them to work over here. We'll give them a job. They will not give them a job—all they want is free labor, and it is very dangerous to allow States to do anything that they want to do because there are good ones and there are bad ones, and all we are interested in——

Mrs. **Kennelly**. But they are the only ones we have, those States. There are good ones and bad ones, but they are the only ones we have.

Let me go back to what Mr. Brown was talking about, and I would like to get on the record that I think we have—we are moving in a direction today that fascinates me, but I am talking about mainly AFDC recipients. That is mainly who I am looking at and yet in the testimony this morning, we know out there and we are not concerned with these people this morning, out there are people who have good jobs, like you and I, and earning our living and they are not in the picture.

But then I come along and I hear what I hear this morning, and I think two groups are getting mixed in our conversation this morning. One is the working poor, and one is the AFDC recipients or the welfare person, and why I say that is because, yes, we do have a minimum wage. You know, we did not always have that particular rate of minimum wage we have now.

You know, I am hearing that the minimum wage is not even sufficient right now to deal with when we are dealing with welfare reform. Now, I had a meeting yesterday. I was home in my district.

I met with school principals, grammar school principals, a number of them from our area, and we discussed avenues for day care, before school and after school, and who we were addressing there was the working poor, and that is the person who is often a two-working couple, mother and father are working, and often one of them is working two jobs because, no, the minimum wage does not give you adequate income.

We know that, and, so, therefore, the working poor are working one and two and three jobs. One of the principals was furious about this. They put them in day care at 7 in the morning, they do not get them out until 6 at night, but these are the working poor, and these people are not on welfare, they are not what we are talking about in welfare reform.

I just want to point that out because I would hope some day these women that I am concerned about who are locked in poverty in public housing with their children going out in the subculture and being faced with drugs and other things might belong to the working poor some day.

Now, that is what I am trying to do. Give a person education and skills so if they want two jobs to support their family, they can have them. So, I do not want to act as if all of a sudden, we are going to take this bill, whatever this bill may be, I do not know whether we are going to do a bill at this point, but whatever this bill might be, all of a sudden we are going to solve all the poverty in the United States of America.

Well, I am sorry. I cannot do that. I have got a piece of legislation in right now that takes the American Public Welfare Association concept and I have got it, and you say to me, sir, you say to me, you talk about contracts. We got to talk about something when you write a bill, but it is very hard to get this language, let me tell you, and that is why we want you people with us.

MaryLee, you tell me you have got cautious optimism. Thank God for the Children's Defense Fund because when I was out front trying to talk about doing something about this, I was talking about women and nobody cared. Now, we are talking about children and we are getting—Harold and I have talked about this. We are getting some concern.

So, I just hope we are not saying, look, I receive, Father, your testimony and your remarks with great respect and listened, and as you said, I was reading your testimony here, I was president of one of your agencies a number of years and, you know, I know what some of these problems are, but I just feel that we cannot have it all, but please listen to me that I understand what you are cautioning me about.

I mean, I know some people are scared to death of those that never wanted to look at welfare reform are saying get them to work now. Sir, when you say that contract and that agency and all the rest, you had better say something and my bill says if there is no day care there, then there is no work.

Mr. **Aslanian**. Well, not exactly. Your bill basically says that the State agencies will provide child care, but it does not guarantee no recipient a child care slot before they start participating.

Mrs. **Kennelly**. When you were talking to me, I was thinking of vouchers. As a matter of fact, be careful what you get in the paper.

Mr. **Aslanian**. I would bring an amendment to you that says that before anybody is enrolled in the program, they get a voucher and on that voucher it says it is John J's Day Care Center and that is where you have a slot, and then you put that voucher in your pocket and you go out and do a job search, and when somebody offers you a job, you know that at that day care center tomorrow, you could drop your kid off.

Now, that is a real program, but to have a bill that says well, we will give everybody child care if they need it and then—I mean, there is no child care out there. In California, we have county after county going into effect and there is no child care.

Mrs. **Kennelly**. I will not do anything that does not have a service provided in exchange. Let us call it a voucher if we get anywhere. Let us call it a voucher.

Mr. **Aslanian**. I will bring it to you in black and white. We have a bill.

Mrs. **Kennelly**. That is why we are asking you for help. Do not get me wrong.

Mr. **Aslanian**. We would be glad to give it to you.

Ms. **Allen**. I just want to make two points in response. Certainly, and I hope I emphasized this, the Children's Defense Fund's optimism is "cautious optimism" because of our concern that there will not be a willingness at the Federal level to make the fiscal investments that are going to be necessary to begin to make some progress on the problems identified. The child care area, one in which your leadership Mrs. Kennelly has been phenomenal, is a good example. It is very clear that our current child care system is not able to meet the additional needs imposed by thousands of mothers with young children whom programs have not served in the past. Yet quality child care is a must as we begin to move more mothers toward employment.

But as you well know, women in education and training particularly have been hard hit over the last several years with cutbacks in the title XX social services block grant and other programs. So, our caution is the need to make clear that investments will need to be made if child care is to be ensured for all who need it. And it will take down payments on those investments this year.

I just wanted to respond as well to your comments about looking at welfare reform in the broader context. Our written statement, as you will note, addresses specifically AFDC recipients and what can be done within the context of programs in this subcommittee's jurisdiction in addressing the problems in the welfare system.

However, I think following up on Father's comments, we all recognize that if, in fact, the working poor, who are often only a crisis away from coming on to the AFDC rolls, are to be more secure in their status, that we have got to look at the minimum wage, we have got to look at child care and health insurance for the working poor. Otherwise, it will be too easy for those AFDC families who get jobs to end up right back on the AFDC rolls. I think though that in response to some of the questioning, the issues as they relate to the working poor and AFDC recipients got confused and mushed together. Today, CDF is looking at improvements like you and others have outlined in your proposals that are targeted specifically at AFDC recipients.

Reverend **Harvey**. I, too, would like to comment, if I may, Ms. Kennelly.

I certainly am more on your side in everything you have said than I would take issue and maybe I could speak to the record——

Mrs. **Kennelly**. If you are not, Father, I do not know who is.

Reverend **Harvey**. Well, you know, Catholic Charities did give you support last year because we felt you had been rather dramatic in your concern. Just picking up on the last point of the Children's Defense Fund, though, I think it is very important that we do not play into the American myth that by and large the welfare population is very fossilized and it is a permanent thing.

In point of fact, I have never liked being told for 20 years by the Government that I was a partner, and then after 1980 told I was a safety net. I did not go through an identity change, but somehow a label was put on me that I had difficulty in getting off.

I do think there is a bit of a sieve that exists between the class that you are talking about and the working poor. When you have two or three salaries in a family and they are all making the minimum wage and they have three or four children in that family, they have many characteristics with that other class of people. They are desperate. They often have no medical protection and in point of fact they move in and out of the two categories.

Statistics show that the average stay on food stamps is only 7 months. So, you know, I commend everything we are doing for the hard core part of that welfare community and I think your committee might only have to be able to deal with that segment. But I do think in doing so, we should be very sensitive in our choice of language to not play into some of the prevailing myths.

I testified before another committee. One of the people asked a welfare mother who was on the panel, who told a tragic story of having had a job as a nurse's aide 18 miles from her home. She had a car that was about 10 or 12 years old, and the transmission failed. For lack of $500, she and her retarded child had to lose her job, eventually lose her house, be put in the streets. I was rather proud of the Catholic Charities agency that gave her the housing. And it was a congressional staff person who invited her to testify, not myself.

But to hear how the lack of $500 was the reason why she ended up moving from the one class to the other. Yet, the question from one of the panelists was, "you mean you did not have a friend that had 500 extra dollars?" I mean, that kind of myth that prevails that everybody has a friend with $500 who is ready to redeem you, especially in those pockets in New Haven and some of the other cities, it is a fluid population. And we have to be careful in addressing the one part of it that we do not use language which plays into the prevailing myth.

So, I am with you, but I do not want to be too fast with you on that one issue.

Mrs. **Kennelly**. Well, thank you, Father. Let me ask you one more question, Father.

Father, you say we need a system that offers adequate income protection for the necessities of life, but then in your testimony, you urge the enactment of a national minimum benefit, presumably below the percentage of the poverty rate that we are dealing with.

Now, we know that the way costs for housing and everything else is today that that national minimum rate might not really fly in many States to provide anywhere near the adequate needs of women and children or whoever.

Do you continue to advocate the national minimum rate because you do not think it will get any better, or do you really believe in the national minimum rate?

Reverend **HARVEY**. First of all, you know, I think we have to find a consensus, and I think we have to build on that. I think of the difference between a New York and a Mississippi. If a national minimum rate would offset that kind of difference that permits people to vote only with their legs, then I think I want to consider it.

I would like to take my fifth point about case management out of my testimony, but I cannot afford to because if I take it out, then I have to rely on some kind of universal standard that hits the country in different areas while there are aberrations in the economy, while there is a differing climate for the cost of living, and other such things.

Well, the only way that I can see that we can do that after having done everything we can to encourage work, to encourage education, to target special programs and incentives to get people out of poverty is at least to say that there should be a national minimum rate for benefits.

So, it is within a very compromising context that I will say yes, I believe in it.

Mrs. **KENNELLY**. See, I advocate a right that mythology goes to each State because we do so many other things of that fashion. Some States are willing to do much more than other States.

Reverend **HARVEY**. I fear and I have to say I am a little more sympathetic to the welfare rights representative because I think the history of State action has been so disparate from State to State that the lack of a national minimum benefit will play in to extremely regressiveness on the one side and then the progressive States will implement it to the fullest.

Mrs. **KENNELLY**. By the way, sir——

Mr. **ASLANIAN**. Kevin.

Mrs. **KENNELLY**.We take what we get around here, and I am so delighted you are here.

Mr. **ASLANIAN**. Thank you.

Mrs. **KENNELLY**. Because I serve in other subcommittees, in other committees, and often we meet up in the Longworth in a great big room and the representatives of the issues that we are dealing with are there—hundreds and hundreds of them to give me every side and every point of view—and one of the reasons we are kind of desperate now about this whole thing is that we are dealing with the subject that the client is not here.

You are representing the client and that is why I think we are at each other one minute, we are with each other the next minute, but it is because we are really representing the voiceless in the United States right now, and I—you know, I really was shook this morning that I hear the cautiousness even more than I thought with one of my great allies, the Defense Fund, and, you know, Harold and I are here and we want to do something, and, yet, please continue to give us the caution on the one hand, but find ways for us to do it on the other hand, because it is awfully easy, with the situation like this, to say well, gee, we got the deficit and we got the trade, just in this committee, the deficit, the trade bill, and we have got catastrophic care now, we want to do something on Ways and Means. Well, you know, this welfare thing is just—we cannot wrestle with this because we cannot solve all the problems.

Mr. **ASLANIAN**. One thing I would suggest about to bring up the minimum level of benefits, I think the bill that you have says within 10 years the States will do it, and I think that we are very cautious about that or we do not believe that that will ever happen, and maybe a better approach is to do like the QC, the quality control system, where the States will require from 10 percent to come down to 4 percent on an increment or mandatory basis and maybe the bill could be restructured to require the States to bring AFDC grant levels up to certain point by mandating every year to come up this much and that much and that much and that within 10 years, it will come all the way up here because the way the bill is crafted now, you could wait for 10 years and, by the way, when this 10 year comes, you had better be up here.

But there is no mandate from 10 years to year 1, you follow what I am saying?

Mrs. **KENNELLY**. Oh, I follow.

Mr. **ASLANIAN**. In the year 9, they can just come over here and say, well, why not repeal that law because it would cost a fortune, and I can see them doing that. So, if you have a gradual———

Mrs. **KENNELLY**. Well, because it is going to cost a fortune, we have not even talked about the family living standard, you know. Your minimum standard goes a little higher. Because it is going to cost a fortune, that is why I phased it in there, why I phased it in over 10 years, because otherwise when you think about the dollars that we are going to have to deal with in the first year or so, we would blow the thing right out of the water.

Mr. **ASLANIAN**. That is a good investment. I think the children who are the leaders of our future. It is a good investment. It is better than putting money into weapons and all this other garbage or just the money that they give to big corporations. It not even the weapons. Forget about the weapons. The welfare check, aid for dependent corporations, when you compare that AFDC program to the aid for dependent children, it is 10 to 1, and I think what they should do is cut the AFDC program and the corporation program and transmit it to the children's program.

Mrs. **KENNELLY**. Thank you. Thank you.

Mr. **ASLANIAN**. Thank you.

Chairman **FORD**. Thank you very much, Ms. Allen and Mr. Aslanian and Father Harvey. Let me once again thank you for your testimony and your input in the welfare reform hearings that have been conducted today and even in past hearings when you have testified before this subcommittee.

This will conclude the business of the subcommittee today, and we will stand adjourned until tomorrow morning at 9:30.

[Whereupon, at 12:30 p.m., the subcommittee was adjourned, to reconvene at 9:30 a.m., Wednesday, March 11, 1987.]

WELFARE REFORM

WEDNESDAY, MARCH 11, 1987

House of Representatives,
Committee on Ways and Means,
Subcommittee on Public Assistance
and Unemployment Compensation,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:35 a.m., in room B-318, Rayburn House Office Building, Hon. Harold Ford (chairman of the subcommittee) presiding.

Chairman **Ford**. The Subcommittee on Public Assistance and Unemployment Compensation will come to order.

This morning we will continue our series of hearings on welfare reform with testimony from our colleague from Puerto Rico, Congressman Fuster, who will talk with us about the implications of welfare reform for the U.S. territories in general and Puerto Rico in particular.

We will also take testimony from the former Governor of Pennsylvania, the Honorable Richard Thornburgh, and a panel of religious leaders and organizations that will come before this subcommittee this morning and talk about welfare reform.

This is the fifth of a series of sessions in which we have heard from witnesses. We welcome the witnesses before the committee this morning. It is the intent of this subcommittee to continue to hear from witnesses on the issue of welfare reform. It is the intent of the majority side to work very closely with the minority side as we mark up legislation on welfare reform and send it to the full committee.

At this time, the Chair will be happy to recognize you, Mr. Brown.

Mr. **Brown**. Mr. Chairman, I commend you and the way you have chosen to run the subcommittee. It is has been open; it has been frank; you have allowed for a wide variety of opinions. I think this is the kind of effort that goes into making good legislation and building a consensus, and I for one deeply appreciate your willingness to look at the question of welfare reform in all its aspects.

We particularly look forward to hearing from Mr. Fuster and former Governor Thornburgh and the other religious leaders who are here this morning. I thank all of them for taking their time to help us in this difficult subject.

Chairman **Ford**. At this time the Chair will call up our colleague, Mr. Fuster.

I would like to welcome you to the subcommittee. We certainly appreciate your coming and sharing with us your thoughts on welfare reform.

At this time, the Chair will recognize you, Mr. Fuster.

STATEMENT OF HON. JAIME B. FUSTER, RESIDENT COMMISSIONER IN CONGRESS FROM THE COMMONWEALTH OF PUERTO RICO

Mr. **Fuster**. Thank you, Mr. Chairman and Mr. Brown.

Last week the Interior Committee considered the participation of the insular jurisdictions, commonwealths, and territories in programs like AFDC, and the committee came to a conclusion, which will be part of our corresponding report, that the insular jurisdictions have not participated in the past in programs such as AFDC on a parity basis with other jurisdictions in the mainland, and that this has resulted in very serious adverse consequences to our islands.

I will focus today very briefly on the situation of Puerto Rico, in particular, which is the jurisdiction for which I have a special responsibility here in the Congress.

Generally speaking, my plea is that, in any reform that is finally proposed by this committee, we be considered for treatment as any other jurisdiction under the United States flag. To make my case, I will refer to the particular situation that Puerto Rico has experienced since we were given participation in the AFDC funding program.

To put matters in perspective, let me tell you that the AFDC program was extended to Puerto Rico in 1950; that is, 15 years after its implementation in the U.S. mainland. Despite the extreme poverty prevailing on the island at that time, Puerto Rico was not granted participation on a parity basis. Instead, a ceiling of $4.25 million was placed on the amount of Federal assistance, which included both AFDC and AABD.

This cap was subsequently raised to $24 million in fiscal year 1972. Later, in 1979, the cap was raised to $72 million. That was the last time the ceiling for Puerto Rico's participation in this most important program was revised.

After 8 years with a cap which inflation has seriously eroded, I believe the time has come to review Puerto Rico's situation, and that of the islands generally, to consider giving us participation on parity with the other jurisdictions in the mainland.

In considering this request to revise Puerto Rico's participation in the AFDC program, the subcommittee should bear in mind that, after an 89-year-long legal relationship between the island and the mainland, and despite substantial economic development, needy American citizens in Puerto Rico still remain the poorest group within the population of the United States.

Per capita personal income for Puerto Ricans falls far below mainland levels, reaching to just one-third of the level for the United States in general and approximately to half the level of the poorest of the 50 States. Mean family income for all families in Puerto Rico is only slightly above the United States poverty level.

Despite the economic progress that we have made in the past, our unemployment rate still exceeds 17 percent.

Moreover, in spite of the island's dire economic circumstances, Puerto Rico does not participate at all in several major Federal assistance programs such as supplemental security income, SSI, and participates only to a very limited extent in various other Federal programs for the needy, such as Medicare, Medicaid, nutritional assistance, primary and secondary education, and others.

These exclusions are particularly unfortunate, since the elderly, children under 18, and members of single-parent, female-headed families comprise a disproportionately high share of the total number of persons below the poverty level in Puerto Rico.

These stark realities are reflected in the Commonwealth of Puerto Rico's waning capacity to meet the basic minimum necessities of its AFDC clients. When the Commonwealth made its initial cost determination of recipients' basic needs under the program—including cost of food, clothing, energy, water, and personal effects, but not housing—in 1978, it was determined that the minimum cost of meeting basic needs was $64 per month for one person and $208 per month for a family of four. At that time, due to the inadequacy of Federal assistance under the cap, the Commonwealth could meet only 50 percent of these minimum basic needs.

From 1980 to 1987, the average monthly AFDC caseload increased from 83,000 to 95,000, an increase of over 18 percent. During this same period, the cost of living in Puerto Rico increased by close to 50 percent.

By December 1986, the cost of basic needs for one person had increased from $64 in 1978 to $90 in 1986. Similarly, the cost of basic needs for a family of four had risen to $295.

These sharp price increases, coupled with a rise in the average caseload, without a corresponding increase in the Federal contribution, have seriously diminished the Commonwealth's ability to meet these basic needs. At present, the Commonwealth can meet only 35 percent of the needs of its AFDC clients.

There are additional considerations underlying our request for an overhaul of Puerto Rico's participation in the program. Last year, as part of the reconciliation bill, this subcommittee considered a proposal relating to an ancillary program, AFDC–UP.

As you are aware, the original Social Security Act permitted States to provide AFDC assistance only to needy children in one-parent homes, unless the second parent were absent or incapacitated.

In 1961, as an antirecession measure, Congress enacted Public Law 97–35, which granted States the option of providing AFDC assistance to children in two-parent families where the principal wage earner was unemployed. What was proposed last year, and may again be considered this year, is the possibility of making this program mandatory for all jurisdictions participating in the AFDC program.

While jurisdictions receiving State-like treatment would not be affected by such a decision, since they would receive additional funding as their level of expenditures rose, the Commonwealth would face a severe crisis. Since its allocation is fixed by statute, no new funds would go to the Commonwealth, and they would be forced to shoulder this great added burden alone.

Lastly, it should be noted that significant disparities have arisen between the benefit levels on the island and those payable on the mainland. Thus, the average AFDC monthly payment per family on the island is only $97, as opposed to $340 per family on the mainland. Similarly, the average monthly payment on the island per recipient is only $30, while the average payment in the continental United States is $116 per recipient.

The bottom line, Mr. Chairman and members of the committee, is that the poor Americans who live in Puerto Rico not only receive public assistance which is grossly inadequate to meet their most basic needs, but that they are also subjected to a form of economic discrimination which other poor Americans do not experience. The result is that those who need assistance the most are actually receiving the least help.

On behalf of the poorest of the poor, I urge you to approve legislation giving parity treatment to Puerto Rico in the AFDC program. If this cannot be done now due to the serious budget problems the Nation faces, we request, at the very least, that Puerto Rico be granted cost-of-living increases for our program sufficient to restore the original purchasing power of the 1979 cap.

We have submitted legislation to that effect, H.R. 1402, which we hope this committee will be able to consider favorably.

Thank you.

[Statement of Mr. Fuster follows:]

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TESTIMONY OF THE HON. JAIME B. FUSTER BEFORE THE SUBCOMMITTEE ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION

March 11, 1987

Mr. Chairman, members of the Subcommittee, I appear before you today on behalf of the 3.5 million American citizens who live in Puerto Rico, to request your assistance in effecting a much-needed overhaul of the existing limitations on AFDC funding for Puerto Rico.

To put matters in perspective, let me briefly review the history pf Puerto Rico's participation in the AFDC program. Aid to Dependent Children was established under Title IV of the Social Security Act in 1935 as a cash grant program to enable participating jurisdictions to aid needy children with one or both parents dead, disabled or absent from home. Renamed Aid to Families with Dependent Children, the AFDC Program was extended to Puerto Rico in 1950, 15 years after its implementation on the U.S. mainland. Despite the extreme poverty prevailing on the Island at that time, Puerto Rico was not granted participation on a parity basis. Instead, a ceiling of $4.25 million was placed on the amount of federal assistance, which included AFDC and AABD.

This cap was subsequently raised to $24 million in FY 1972. Later, in 1979, the cap was raised to $72 million. That was the last time that the ceiling for Puerto Rico's participation in this most important program was revised. Now, eight years later, as we enter the final years of this decade, I believe that the time has come to request that Puerto Rico receive treatment under the AFDC program on a parity basis with the States.

In considering this request to revise Puerto Rico's participation in the AFDC program, the Subcommittee should bear in mind that after an 89-year long legal relationship between the Island and the mainland, and despite substantial economic development, needy American citizens in Puerto Rico still remain the poorest group within the population of the United States. Per capita personal income for Puerto Ricans falls far below mainland levels, reaching to just one third of the level for the U.S. in general, and approximately to half the level of the poorest of the 50 States. Mean family income for all families in Puerto Rico is only slightly above the U.S. poverty level. Despite the economic progress that we have made, our unemployment rate still exceeds 17%.

Moreover, in spite of the Island's dire economic circumstances, Puerto Rico does not participate at all in several major federal assistance programs, such as Supplemental Security Income, and participates only to a very limited extent in various other federal programs for the needy, such as Medicare, Medicaid, Nutritional Assistance, and Primary and Secondary Education. These exclusions are particularly unfortunate since the elderly, children under 18, and members of single-parent female-headed families comprise a disproportionately high share of the total number of persons below the poverty level in Puerto Rico.

These stark realities are reflected in the Commonwealth's waning capacity to meet the basic minimum necessities of its AFDC clients. When the Commonwealth made its initial cost determination of recipients' basic needs under the program (including costs of food, clothing, energy, water and personal effects, but not including housing) in 1978, it was determined that the minimum cost of meeting basic needs was $64.00 per month for one person, $112.00 per month for two persons, $208.00 per month for a family of four, and $304 per month for a family of six. At that time, due to the inadequacy of federal assistance under the cap, the Commonwealth could meet only 50% of these minimum basic needs.

From 1980 to 1987 the average monthly AFDC caseload increased from 83,327 to 98,509, an increase of 18.2%. During this same period, 1980-1987, the cost of living in Puerto Rico increased by close to 50%. By December, 1986, the cost of basic needs for one person had increased to $90.75 per month. Similarly, the costs of basic needs for a family of four rose to $294.94. These sharp price increases, coupled with the rise in the average caseload, without a corresponding increase in the Federal share, have seriously diminished the Commonwealth's ability to meet these basic needs. At present, the Commonwealth can meet only 35.5% of the needs of its AFDC clients.

There are additional considerations underlying our request. Last year, as part of the Reconciliation Bill, this Subcommittee considered a proposal relating to an ancillary program-- AFDC-UP. As you are aware, the original Social Security Act permitted States to provide AFDC assistance only to needy children in one-parent homes, unless the second parent were absent or incapacitated. In 1961, as an anti-recession measure, Congress enacted P.L. 97-35, which granted States the option of providing AFDC assistance to children in two-parent families, where the principal wage earner was unemployed. What was proposed last year-- and may again be considered this year-- is the possibility of making this program mandatory for all jurisdictions participating in the AFDC program. While jurisdictions receiving State-like treatment would not be affected by such a decision, since they would receive additional funding as their level of expenditures rose, the Commonwealth would face a severe crisis. Since its allocation is fixed by statute, no new funds would go to the Commonwealth, and it would be forced to shoulder this added burden alone.

Lastly, it should be noted that significant disparities have arisen between the benefit levels on the Island, and those payable on the mainland. Thus, the average AFDC monthly payment per family on the Island is only $97, as opposed to $340 per family on the mainland. Similarly, the average monthly payment on the Island per recipient is only $30, while the average payment in the continental U.S. is $116 per recipient. The bottom line is that the poor Americans who live in Puerto Rico not only receive public assistance which is grossly inadequate to meet their most basic needs, but that they are also subjected to a form of economic discrimination which other poor Americans do not experience. The result is that those who need assistance the most are actually receiving the least help. This simply defies reason. On behalf of the poorest of the poor, I urge you to approve legislation giving parity treatment to Puerto Rico in the AFDC program. If this cannot be done now due to the serious budget problems the nation faces, we request that at the very least, Puerto Rico be granted cost-of-living increases for our program sufficient to restore the original purchasing power of the 1979 cap. We estimate that, in order to give the present ceiling--in FY 1988--the same buying power it had when it was established eight years ago, Puerto Rico would require a 51% cumulative cost-of-living adjustment, which would raise its participation in AFDC to $109 million.

Chairman **Ford**. Thank you very much.

Mr. Brown.

Mr. **Brown**. I want to thank the gentleman for his statement, and we look forward to working with him as this issue develops.

Thank you, Mr. Chairman.

Chairman **Ford**. Mr. Fuster, you mentioned that a family on AFDC in Puerto Rico receives, on average, $97 per month compared to a family on the mainland who would receive about $340. That would be equivalent to about $30 per person on the island, and to about $90 here on the mainland?

Mr. **Fuster**. $116.

Chairman **Ford**. $116. Does this cap of $72 million include supplemental security income as well as AFDC, or is it just AFDC?

Mr. **Fuster**. It is just AFDC, because we do not participate in——

Chairman **Ford**. You do not participate in the supplemental security income program at all?

Mr. **Fuster**. At all, right.

Chairman **Ford**. Now, what about your unemployment compensation benefits on the island, the Federal supplemental benefits? Does the island participate in the Federal supplemental security benefits?

Mr. **Fuster**. The island participates in——

Chairman **Ford**. The Federal supplemental insurance benefit that was provided for about 20 or 26 weeks. Was Puerto Rico eligible for that?

Mr. **Fuster**. We were eligible for that program, but again on a limited basis. We have a number of programs that are aimed at the very poor in the island, the indigent population, that we receive Federal funding, but all of it is capped. The consequence is that you add on all of these limitations, and each one of the different programs, they receive less than they would if they were living, for example, in a mainland jurisdiction, and the unemployment is another one of those.

Chairman **Ford**. Why were they capped? Was it because of the 936 program in Puerto Rico, or was it because of the distilled spirits? I don't know; I am asking. I have only chaired this subcommittee for 6 years, and I am wondering, why did we cap your AFDC funds? Why hasn't SSI been extended to you?

Mr. **Fuster**. I suppose that the basic reason is the size of the indigent population of Puerto Rico. We have, for example, a Medicaid cap, to give you one practical example, that is very, very inadequate since people in Puerto Rico receive only 7 percent of what we would receive if we were given parity treatment with the rest of the jurisdictions in the mainland, 7 percent. So, in this sense, AFDC is not really the worst. There are others where the inequity is really unconscionable, I would say.

Every time I have looked into this matter, the response I have obtained is that the problem is that Puerto Rico has too large a population of indigent people. That is the same problem with nutritional assistance, for example.

I do not think it has anything to do with something like the 936 program. As you know, Mr. Chairman, the economy of Puerto Rico has this very peculiar characteristic.

Chairman **Ford**. I am not implying that it should or that the 936 program is a swap for this. I really want a clear understanding of why the cap was placed on the AFDC benefits on the island.

Mr. **Fuster**. I imagine it would be the cost. If we were to, for example, adjust the current ceiling, just to give cost-of-living increases commensurate with inflation in the last 8 years, the cap would have to be raised to $109 million, and that is just to have the same buying power now that the people had when the cap was fixed 8 years ago.

Chairman **Ford**. So it is because of your large indigent population that you have to——

Mr. **Fuster**. Exactly.

Chairman **Ford**. Is the cap at $72 million?

Mr. **Fuster**. Yes.

Chairman **Ford**. And those funds must cover all those that would be eligible to participate from your indigent population. Does this cover AFDC as well as SSI, or do you just spend the $72 million in AFDC?

Mr. **Fuster**. Just on the AFDC.

Chairman **Ford**. Just on the AFDC.

You also use some of the $72 million for the aged, blind, and disabled as well——

Mr. **Fuster**. Yes, that is right.

Chairman **Ford** [continuing]. Which are some of the people that would qualify on the mainland for supplemental security income benefits.

Mr. **Fuster**. Yes, but what they receive there is something like $4 out of $100 as compared to what they would receive if, instead of the AABD program, we had SSI.

Chairman **Ford**. I am agreeing with you. You have to pay your SSI recipients out of this same $72 million that must be used for AFDC benefits.

Mr. **Fuster**. Exactly.

Chairman **Ford**. Now, let me ask you this. Families eligible for AFDC receive low payments on the island, but they do qualify for Medicaid benefits, all of the families, once they trigger onto the program, is that correct?

Mr. **Fuster**. Yes, they do.

Chairman **Ford**. They do.

Mr. **Fuster**. But again, the Medicaid program is so grossly limited. Puerto Rico receives, as I was saying, an amount that is only about 7 percent of what they would receive under Medicaid if Puerto Rico was given parity treatment.

Chairman **Ford**. I understand. You have a cap on your Medicaid benefits as well on the island?

Mr. **Fuster**. Yes. We have a cap on the Medicaid. We have cap on primary and secondary education. We have a cap on Medicare. We have a cap on food checks.

Chairman **Ford**. I really want to thank you for your testimony. It is an area that we will look into as we draft the final version of the welfare reform package in the coming days, and I thank you very much for coming to the committee.

Mr. **Fuster**. Thank you, Mr. Chairman.

Chairman **Ford**. Former Governor Thornburgh, we are very delighted once again to welcome you to the Public Assistance Subcommittee. We certainly appreciate your coming some time ago when there was a crisis with the unemployment insurance program, the Federal supplemental insurance program. You were a real asset to this subcommittee and to those of us on the House Ways and Means Committee. Your input, your testimony, working with this committee, was very valuable.

I want you to know, as chairman of this subcommittee, that I appreciate your thoroughness and your responsiveness to this committee, and I welcome you once again on a very critical issue that needs to be addressed in this Nation. That is welfare reform.

I welcome you before the subcommittee. I am delighted to se you once again and would like to yield to Mr. Brown for any opening, introductory statement he likes.

Mr. **Brown**. Mr. Chairman, thank you.

The Governor is known as a doer, as someone who gets things done and someone who has positive alternatives, and we are delighted that he could join us today.

STATEMENT OF HON. RICHARD L. THORNBURGH, FORMER GOVERNOR OF PENNSYLVANIA, AND DIRECTOR-DESIGNATE, INSTITUTE OF POLITICS, JOHN F. KENNEDY SCHOOL OF GOVERNMENT, HARVARD UNIVERSITY; ACCOMPANIED BY HAROLD MILLER, ASSOCIATE DEAN, SCHOOL OF URBAN AND PUBLIC AFFAIRS, CARNEGIE-MELLON UNIVERSITY

Mr. **Thornburgh**. Thank you, Mr. Chairman.

As I told you, the work that was done in this subcommittee on unemployment compensation provided a breathing space for Pennsylvania and other industrial States, most of whom have turned the corner, with reforms at the State level, and we certainly appreciate the attention that was given to the indebtedness that had accrued to the Federal Government under the unemployment compensation law, and I wish you similar success with this endeavor.

With me today is Harold Miller, associate dean of the School of Urban and Public Affairs at Carnegie-Mellon University in Pittsburgh, and former director of the Office of Policy Development in the Commonwealth of Pennsylvania.

Five years ago in Pennsylvania, the air was full of dire predictions about the impact of a recently enacted welfare reform law. The successful outcome of our efforts in Pennsylvania, a major industrial State in the process of a dramatic economic transition, has surprised both supporters and detractors of the program.

As welfare reform has at last moved front and center on the national agenda, with leaders of both parties in Washington as well as the Nation's Governors focusing welcome attention on our current system of caring for the Nation's most needy, it may well prove useful to review Pennsylvania's 5 years of experience with welfare reform.

First, a look at history. As the 1970's came to a close, Pennsylvania's welfare program was nearly out of control. With overall public assistance expenditures more than tripling from 1971 to 1979, there had been no increase in the level of benefits since 1975, during a period of ravaging inflation. Why? Because Pennsylvania, with about 5 percent of the Nation's population, had almost 20 percent of the Nation's general assistance welfare recipients and simply could not afford to provide grant increases out of available resources.

At the heart of the system's shortcomings was a failure to differentiate between benefits for those permanently expectant of State support—that is, the very old, the very young, caretakers, the handicapped, and the disabled—and those transitionally in need of assistance, mostly single, able-bodied, employable individuals between ages 18 and 45.

Our first assignment, then, was to separate these two separate and distinct groups and to treat them differently; that is, to raise benefits for the chronically needy with the funds saved by moving the transitionally needy off the permanent welfare rolls and into job training and job placement programs which would break their cycle of welfare dependency.

Pennsylvania's 1982 legislation, enacted after 3 years of debate, did just that. It provided for increases in benefits to those unable to support themselves while limiting benefits for the employable, restricting them to 3 months' cash assistance per year, during which time they were obliged to seek employment and to participate in public service jobs—so-called workfare programs—on our theory that the best way to get a job is to have a job. In many cases, this was the first such experience in a lifetime for these welfare recipients.

The transitionally needy remained eligible for food stamps and medical assistance throughout the year in order to help them make the transition to independence. Savings from these steps went into beefed-up job training and placement programs and tax credits for prospective employers, as well as increased grant levels.

With nearly 5 years' experience, the results, I suggest, are most instructive. First, overall State expenditures for public assistance today are actually slightly less than they were 8 years ago.

Grant levels, however, have been increased four times in the past 7 years by an aggregate of 25 percent for a family of four, representing a total of over half a billion new dollars in assistance during this period. Pennsylvania's overall benefits and eligibility remain among the most generous of the States.

Over 1,200 State, county, and local government and nonprofit agencies have provided public service jobs for more than 133,000 employable former welfare recipients, despite a politically inspired boycott of this program by the State's two largest cities, Philadelphia and Pittsburgh, where 40 percent of those eligible reside.

A 1984 study showed that welfare reform did not create serious problems for those whose benefits were reduced, and that the majority did not return to the rolls when they were eligible again.

By year-end 1986, a total of nearly 300,000 former welfare recipients have found private-sector jobs or were placed in job training programs, including 50,000 "alumni" of the workfare component.

While the welfare bureaucracy has been reduced in size by eliminating over 8,000 unneeded positions, AFDC error rates have plummeted from over 16 percent to less than 6 percent, saving $70 million a year.

Moreover, efforts to crack down on fraud have more than doubled recovered funds from this source, and the State has led the Nation in the past 4 years in child support collections, offsetting welfare costs by another $67 million last year alone.

A $4 million comprehensive initiative to improve services to pregnant teenagers and teenage parents was implemented last year in order to head off welfare dependency among this highly vulnerable group. Record levels of support for other State human service programs, including imaginative programs for the homeless and at-risk children, rounded out a total overhaul of Pennsylvania's people-oriented programs.

In introducing our welfare reforms to the Pennsylvania General Assembly in October 1979, I stated, "The time has come when we must take able-bodied men and women off of our welfare rolls." Even a strongly rebounding economy—and 1986 saw a record number of Pennsylvania working men and women on the job and unemployment at a 12-year low—even this has kept this ambitious goal beyond full realization in Pennsylvania, but the turnaround has been dramatic. From a decade during which 155,000 people were added to the welfare rolls, we have seen the last 5 years' effort produce a net reduction of over 100,000.

The lesson? From a State which has actually implemented a welfare reform effort, it truly appears that targeting cash assistance to those who have no legitimate expectation of self-sufficiency, while expanding service and support to those who can work, pays off for welfare recipients and taxpayers alike.

Thank you, Mr. Chairman. I would be pleased to consider any questions you might have.

Chairman FORD. Thank you very much, Governor.

Your testimony recommends that we target cash assistance to those who cannot be self-sufficient and expand the work activities for those who can work among AFDC recipients.

Who should not be expected to work?

Mr. THORNBURGH. The category that we identified as the chronically needy are those people who, because of age or tender years, or because of handicap or disability, or because of caretaker responsibilities, those people with drug and alcohol problems that may temporarily force them out of the job market, that group of people of whom we reasonably cannot have an expectation of successfully going through job training and job placement programs that would tend to support themselves.

Chairman FORD. And all of them are not within the jurisdiction of the AFDC or the welfare program. Perhaps they receive general assistance or some other assistance other than just AFDC.

Mr. THORNBURGH. Right. The experiences that I outlined in Pennsylvania related to our changes in the general assistance program, with some piggybacking on changes made in the AFDC program as well.

Chairman FORD. Do you recommend that some changes be made in the AFDC program to include general assistance?

Mr. THORNBURGH. I think the lesson that is forthcoming from our experience and other States' experiences with the State-funded general assistance program indicates that the direction in which the consensus seems to be developing of substituting for those who are able to work, work requirements, work registration, job training, and job placement programs, in those areas where cash subsistence is the sole recourse now, has a lot to recommend it.

Chairman FORD. The administration and other organizations have made recommendations which have addressed the issue of at what age a child should be before the mother is required or asked to go into a training or work program. What is your response to this? What would you recommend, Governor?

Mr. THORNBURGH. I don't want to tell you more than I know, and I don't think I can give you an answer on that. I hope that is something that is addressed in order to get the views of people who have had experience with it.

We have, in our State, what is the age, 6?

Mr. MILLER. Age 6. That is the AFDC.

Mr. THORNBURGH. I don't know whether there are proposals to reduce that. Now, there are some down to 3 years——

Chairman FORD. Yes. Several organizations have made a recommendation of 3 years of age. The administration has said that after 6 months the mother should be placed in a training or work program.

The question is before the committee, and 6 years of age might be——

Mr. THORNBURGH. To a certain extent, that is going to depend on the availability of quality day care or early intervention programs which can take up the slack or, indeed, improving upon the environment that might exist in a single-parent household or a household that is totally dependent on public assistance.

But to fix a specific age, I think, probably is going to have to take some careful examination by your committee and your counterparts. I wouldn't want to venture a guess on that now.

Chairman FORD. All right.

Mr. THORNBURGH. I think there certainly is an age beyond which the type of traditional custodial care, caretaking within the family, can be whittled away to provide self-sufficiency and the dignity and economic security that goes with a job if there are quality programs available to act as an alternative.

Chairman FORD. Governor, one final question. What is it that is different today that makes welfare reform possible? I mean, what is the climate throughout the Nation?

Mr. THORNBURGH. I think there are probably three things, Mr. Chairman. One is a recognition that the deficit problem requires an examination of every program that government runs at every level in terms of cost-benefit analysis and a look at welfare. Clearly, as I indicated in my testimony, when that cost-benefit analysis was carried out in our State of Pennsylvania with regard to the general assistance program, it produced some dramatic changes which turned out to be for the good.

Second, I think the experience of the States—and certainly you have heard from a number of Governors, former Governors, legislators, and others who have experimented in this area—provides a model for the Federal Government to look at a more comprehensive overhaul of the entire system.

Third, I think, to complement the chairman and his colleagues and his counterparts in the Senate and in the administration, there is a public focus by elected and appointed officials on the need to balance the cost with providing a full range of benefits for those people who are in need.

When an idea's time comes, it is a very difficult thing to resist, and I think that these hearings and their counterparts will have a very positive fallout in this respect.

Chairman **Ford**. How do we get past the perception that a welfare reform package will cost billions of additional dollars and that we are just throwing money at the problem? No one wants to look ahead 5, 6, 10 years away and say we will spend money in the short run, but in the long run, it will not only save the Federal Government some dollars but also bring about family stability and save a valuable resource—our children—from becoming real problems in urban areas.

Mr. **Thornburgh**. I think you have two problems of public perception that are difficult to address simultaneously but, nonetheless, drawing on experience such as we had in our State and in other States, can be addressed.

One is a perception that welfare reform is some draconian measure directed against the poor in a disguised form. The other, as you point out, is that it is a guise for massive new public expenditures.

I think the experience in State welfare reform—and that is one of the beauties of our Federal system, that these can be carried out without national consequences—would indicate that, as in our State, careful reform can be carried out at no additional public expense by utilizing the savings and adjusting the level of benefits and eligibility to enhance the opportunity for people to become self-sufficient.

In our State, dollar for dollar, the savings achieved from restricting the eligibility of single, able-bodied, employable people were plowed back into enhanced efforts to provide job training and job placement through the work registration program so that, in the final analysis, the costs evened out and in fact were slightly reduced, but with a much better mix between people who were receiving subsistence payments in cash and those who were supporting themselves.

In fact, when you take into account the increased taxes paid by those people who came off the welfare rolls and became employable and paid additional tax revenues, you would probably have a fairly substantial gain. But just looking at it within the confines of the program itself, I think you can accomplish that.

The other perception was one that I indicated obtained at the outset of this program. There was a great deal of criticism of this Pennsylvania program in terms of what effect it would have on people who theretofore had been on the welfare rolls with no obligation to seek work or accept job training or accept jobs for a 12-month period. There was a perception that they would be prejudiced by this change.

The record clearly indicates to the contrary, and I am pleased to say that that furor died down within a year or so after the program was put into effect, and it was seen that it did not produce those kinds of draconian results. But it is a challenge to see that the public understands that this is a program that balances fiscal concerns with continued compassion for those people who are in need.

Chairman **Ford**. Thank you.

Mr. Brown.

Mr. **Brown**. Thank you, Mr. Chairman.

Governor, your comments are most interesting, and we appreciate your coming.

Tell me a little about your program on tax incentives for employers. What was involved and how did it work?

Mr. **Thornburgh**. The notion was that in order to provide a "carrot" to employers to provide jobs for those people whom they might otherwise look askance at—people on the welfare rolls—they would be given a tax credit for every employee that was added to their payroll from the welfare rolls. The total amount of the credit was what, Harold?

Mr. **Miller**. It amounts to about $3,000 over the course of 3 years. It is a minimum employment requirement of 1 year in order to claim the credit, and they can claim it up to 3 full years of employment.

Mr. **Brown**. How successful do you think that provision was?

Mr. **Miller**. We have had about, I think, 11,000 to 12,000 welfare recipients find jobs using the tax credit in the past 4 years.

Mr. **Brown**. Most of the tax credit programs I was familiar with when I used to work for a living were programs that did not induce employers to create new jobs. Employers applied for the credit because it was a source of revenue.

Was it your feeling that you had people actually start new jobs because of the tax incentive? Do you think that at least some of the jobs would not have existed without the credit?

Mr. **Thornburgh**. Let me make a couple of observations in that respect, Congressman.

First of all, the cause-and-effect relationship is hard to establish when you pick this one component of a comprehensive set of programs that are designed to transform welfare recipients into full-time employees.

For example, under our Job Training Partnership Act program, a priority is given to welfare recipients in job training programs to enhance their movement onto private payrolls. That could meld with the tax benefit to kind of give you a little difficulty in actually tracing what the genesis of the employment was.

The same thing with our Comprehensive Work Experience program, the workfare component, which was designed to get people work experience and, as I said, many times for the first time begin to develop a notion of what it meant to apply for a job and to participate in job training, and that would move people out of the public sector workfare program into private sector employment. That is a question of causation, which makes it difficult to answer your question.

The second thing is that, during this period of time, we had a rapidly expanding economy. We have seen about 500,000 new jobs, net new jobs, created over the last 3 years in Pennsylvania, and again, the causation factor somewhat breaks down.

The fact of the matter is that people who were on welfare have moved into private sector jobs, and our sense is that, as a component, not a cure-all but a component of a comprehensive welfare reform plan, the tax credit, at minimal cost, provided enough of an incentive to keep it included. It really would have to be evaluated more fully than I think we have done.

Mr. **Brown**. Thank you.

Did you use public jobs in this process of providing a work alternative?

Mr. **Thornburgh**. Yes. Public agencies, including agencies of State government, most notably our Department of Environmental Resources and the Department of Military Affairs, I guess, was the other——

Mr. **Miller**. And welfare, too.

Mr. **Thornburgh** [continuing]. And the Department of Welfare, yes. There are a number of success stories in that regard of people coming into public employment as workfare employees and then staying on and getting full-time jobs.

We also used nonprofit agencies and other social service agencies to provide this kind of component as well.

Mr. **Brown**. Do you think these folks performed a valuable public service?

Mr. **Thornburgh**. I think they were assessed very highly. The sanctions figure was minimal.

Mr. **Miller**. In terms of people being sanctioned?

Mr. **Thornburgh**. Yes.

Mr. **Miller**. It was about 3 percent; 3 percent of the people participating were sanctioned for not participating.

Mr. **Thornburgh**. That was available for those people who were not satisfied with the service. So I think that is about as good as you would find anywhere.

Mr. **Brown**. That is much better than we do in Congress, I think. [Laughter.]

Mr. **Thornburgh**. Well, the sanction is little more draconian in Congress as well.

But I think you would get a good assessment of the quality of work. This is a very important feature of this, in my view. Once that initial hurdle of unfamiliarity with the work ethic process—people who have never worked oftentimes have difficulty keeping in mind the fact that they have certain times when they must come and when they can leave, and that probably, more than any skills picked up during the particular job, is the greatest contribution of the workfare component.

Mr. **Brown**. We had witnesses testify yesterday who were concerned that AFDC employment programs might lead to displacement of regular workers in the public sector jobs by welfare recipients. Did you have that experience?

Mr. **Thornburgh**. No. The law itself provided that no workfare employee could displace or fill a vacancy that existed on a public payroll. What this did was to undertake programs that would not have been done otherwise with the existing payroll.

The disappointment to us was that neither Philadelphia nor Pittsburgh or Allegheny County, the greater Pittsburgh area, participated in a meaningful way, the disappointment being in terms of what could have been done in major urban areas.

For example, in Philadelphia, they have a rather sizable graffiti problem. Philadelphia's graffiti is probably more lurid than some of the other cities.

Mr. **Brown**. They are more interesting than those in Colorado.

Mr. **Thornburgh**. They are more interesting, right. And this is an election year, and it will probably get more lurid. But I always thought that that would be a very profitable way to turn workfare into a beautification project, because, particularly with the disproportionate number of young minority unemployed, even in an improving economy within that city, to begin to develop work habits.

They had started a program there at public expense to do this, and it just seemed to me that they were missing a bet. But I am not the mayor of Philadelphia, so I cannot really speak on it.

Mr. **Brown**. Well, it may be not all bad; it may be a blessing.

Mr. **Thornburgh**. At times, I think that is probably so.

Mr. **Brown**. Did you require recipients of food stamps to participate in your program?

Mr. **Thornburgh**. Only to this extent, that those people who formerly received year-round welfare benefits and had them cut back to 3 months a year continued to receive food stamps through the entire 12 months. I don't think there were any other food stamp consequences.

Mr. **Brown**. Would it be helpful to the program to have some flexibility in using food stamps?

Mr. **Thornburgh**. In cashing out?

Mr. **Brown**. Cashing out or using money from food stamps as part of an overall employment program?

Mr. **Thornburgh**. Well, I think—my tendency is to agree with my former colleagues in their traditional view being that a maximum degree of flexibility for experimentation ought to be provided at the State and local level. There is a good deal of flexibility already, but one never knows where the next solid idea is going to come from in this area, and it seems to me that the maximum number of options that are provided to be flexible enough to address different situation and different needs, the better off you are going to be.

Mr. **Miller**. If I might, the suggestion that we have often felt would be helpful would be if in fact there was consistency between the food stamp and AFDC programs so that we could simplify administration and try to use some of those administrative resources that now go into following the rules in the programs and turn that over into employment and training assistance.

Mr. **Brown**. Help me understand that. What you are suggesting is that you be allowed to use the same personnel to administer both programs?

Mr. **Miller**. We do, but we have to have more because of the different rules and regulations in each program.

Mr. **Thornburgh**. From Ag and from HHS.

Mr. **Miller**. It adds an additional degree of complexity in the program that we could probably reduce by having consistency.

Mr. **Brown**. So when we say consistency, we mean similar qualification standards or similar kinds of verification?

Mr. **Miller**. All of the eligibility and rules.

Mr. **Thornburgh**. Something as simple as the same forms used by two different Federal agencies.

Mr. **Brown**. You are talking about forms and standards and verification?

Mr. **Miller**. Exactly, the whole—we have had, for example, to pursue separate initiatives on error rates in food stamps and AFDC with two different agencies at the Federal level, which takes a lot of time and energy away from programs that could be used to help people get jobs.

Mr. **Brown**. I think the committee would be very interested in following up on that. You appreciate some of our difficulties because we are divided into separate committees that tend to view these issues differently. If you have an opportunity to supply us with a little note on that, it would be very helpful.

Mr. **Thornburgh**. I think what I might do, Congressman Brown, is communicate that concern to the National Governors Association, and perhaps they can collate the experiences that all of the States have had in that regard and give you a little broader reach than just what Pennsylvania's vantage point is.

Mr. **Brown**. Yes.

Mr. **Thornburgh**. It is an important—it sounds like one of those off-in-the-corner bureaucratic questions, but, believe me, the cost of that multiple compliance and the difficulty of working through it is substantial. So we will see what we can do on that.

Mr. **Brown**. One last question. One concern that has been expressed during these hearings is that, by giving States flexibility, you may well leave people without adequate support. Do you agree with this concern?

Mr. **Thornburgh**. Well, Pennsylvania, long before and including up to today, under my successor, has always had a tradition of providing very generous benefits to people in need both in terms of unemployment compensation, general assistance, and some of the cutting-edge programs that aid the poor. So it is not within my experience that that kind of flexibility would be a problem.

I think that the statement adopted by the National Governors Association last month should be of some reassurance on that score with regard to the level of benefits. The kind of flexibility that I think we are addressing does not relate so much to dollars and cents as it does to the form in which benefits are to be forthcoming, the manner in which they are to be administered, and to give the States a little bit of flexibility in adjusting to their particular profile, their particular constituency, and not have this cookie-cutter approach that something stamped out in HHS or Ag or wherever has to suffice for every locale.

That is happening, I am bound to say. There is a lot more of that flexibility, but it is always a concern in areas such as Mr. Miller mentioned that you kind of scratch your head and say, Why do you have to do this this way? Well, it is because they say you do it that way in Washington. And that kind of flexibility, I think, would be extremely useful.

Again, I cannot speak for my former colleagues or those present Governors, but I do not get a sense that the movement that the Governors are undertaking is a penny-pinching movement that would have adverse effects on the level of support forthcoming to people in need.

On the contrary, I think what they are looking for are more cost effective ways to provide real benefits that are targeted in the way that we did it in Pennsylvania; that is, a maximum amount of cash assistance to those people for whom we can have no legitimate expectation of self-support and a maximum amount of support in making the transition from welfare dependency to the dignity and economic security of a job for those people who can.

I would be surprised if there was any State, if you are able to come up with a solution that meets those needs, that will be providing any less for those in need than they are today.

Mr. Brown. Thank you.

Chairman Ford. Mr. Chandler.

Mr. Chandler. Thank you, Mr. Chairman.

Governor, this has been very interesting, and I appreciate your testimony.

I was curious how it was that Philadelphia and Pittsburgh, under your law, opted out. As I understand it, they did not participate.

Mr. Thornburgh. The participation in the workfare program is voluntary. We have had some 1,300 communities and agencies participate. But I cannot speak for why they did not do it, except that it clearly had its genesis in the fact that I was a Republican Governor and the mayors of those cities are Democrats. Maybe you might ask them.

Interestingly enough, my successor in office is a Democrat, and his secretary of public welfare, in one of his first public addresses to this problem, stated that what he wanted to do was to get Philadelphia and Pittsburgh involved. Maybe he will have better luck with his party colleagues than I did.

Mr. Chandler. When you were talking in response to Mr. Brown's questions, one that I had intended to ask, you mentioned the sanctions for those—I think you said 3 percent—who failed to participate or perform. What were those sanctions? Complete loss of benefits?

Mr. Thornburgh. They were the loss of benefits, yes.

Mr. Chandler. The total loss of benefits?

Mr. Thornburgh. The benefits, as you know—the conversion is that the benefits are forthcoming and the hours worked are obtained by dividing the benefits by the minimum wage. That, in effect, employs people in these public service jobs at a minimum-wage level. If they don't perform, they don't show up, then they are treated as they would be in a private sector job and relieved. They lose their benefits, their paycheck.

Mr. Chandler. That was apparently an adequate incentive to participate.

The chairman raises a question that I think is troubling everybody on the committee, and that is the appropriate age of the child at which we require participation in either training or a workfare type of situation. However, there is a difference in regard to the teen mothers. I think that is a little different issue than, say, one who is in her twenties or thirties.

How did you handle that under your program? What requirements did you have, say, for continuation of high school for a teen mother?

Mr. **Thornburgh**. We began a program last year to provide support for pregnant teenagers and teen mothers to enable them to complete their education by providing a support mechanism for both their prenatal care and care of infants after their delivery.

We also have provided, as a part of our job training program, that same kind of support for teen mothers in job training programs, if they are dropouts or after their education. In fact, there is one program that I visited in Pittsburgh last year that is truly unique in that it is a three-generational program.

The young mother is enrolled in a job training program while her infant is in a day care center tended by the young mother's mother, the grandmother. I was able to share that experience with a group of other Governors who were visiting, and it was truly a remarkable synergism at work that involved all three generations in very important things.

The young mother was being trained for a job. The infant was being tended by who better than a grandmother, and the grandmother had a sense of participation in creating a family unit that was going to be self-supporting.

That kind of program indicates that the flexibility that I spoke of can often produce some very heartwarming results as well.

Mr. **Chandler**. I very much agree.

Two more, if I may, Mr. Chairman.

I suspect that Pennsylvania is a great deal like my State of Washington in the diversity of the economy, everything from heavy industry to agriculture. As you know, for employers, that creates oftentimes a difficult need for seasonal employees.

I think that—well, I will see if you agree—our welfare system has tended to discourage recipients from participating in those seasonal jobs because of the loss of benefits. How did you address this, or did you, in your plan?

Mr. **Thornburgh**. I do not think we focused on that particular aspect because very little of our agricultural employment is seasonal. We have, in the southeastern part of the State, our mushroom industry, and parts, I suspect, of the tobacco-raising industry, but there is not a significant number of migrant workers or seasonal workers there. Most of our farming is family farming, and we don't have that problem. I do not think it was addressed specifically within welfare reform.

Mr. **Miller**. The general assistance program that we established would be helpful in that because it provides 3 months of assistance out of the year, which would cover people during the period they are not working, and they can also, in many cases, continue to receive medical assistance and food stamps during the period they are working, depending on what their wage level is.

Mr. **Chandler**. But it certainly would argue for the flexibility that you talked about earlier.

Mr. **Thornburgh**. Absolutely.

Mr. **Chandler**. In States like ours, it would not be a 3-month period. That might be the employment opportunity.

Mr. **Thornburgh**. You would have a 9-month period of unemployment, yes.

Mr. **Chandler**. Right, or less—cutting fresh flowers, picking berries, that kind of thing.

Mr. Chairman, yesterday we heard that testimony from one gentleman who said that it did not make any sense to provide training to a participant unless there was a job available, which I thought was really an incredible thing to say, and I referred to an article that I had read in a publication that we kind of had a chuckle over.

But I brought that article today, and I thought it would just be more appropriate to read this statement, a very short one, into the record, quoting this—I am sure you have never heard of them unless you have teenagers, too—a singing group called Run DMC. They are from Queens, NY.

Do you like them, too?

Mr. **Thornburgh**. That is the number one rap outfit in the country. Come on, Congressman. You've got to get with it. [Laughter.]

Mr. **Chandler**. Mr. Chairman, I want to point out the fact that we have a Republican former Governor here——

Chairman **Ford**. Maybe a good Democrat——[Laughter.]

Mr. **Chandler** [continuing]. Who has heard of Run DMC.

Mr. **Thornburgh**. In fact I did a little rap number of my own last year at our gridiron dinner, so if you want me to perform——

Mr. **Chandler**. At any rate, if I could, I just want to read this into the record, their statement about what they perceive, and they came from here. This is not some middle-class white Member of Congress saying this; this is a black young man who came from where much of the problem exists.

He says that the band—let me quote him.

> The kids look up to us because they are so impressionable. They have to know to go to school and not to do drugs. Because they have to know about that, I have to rap about it. I do it consciously because I know the kids are listening to this message.

And then he goes on to say, and this makes the point that I was trying to make yesterday,

> We perform a song called "The Message"

This is Run talking.

> It lets everybody know what was going on in their neighborhoods. There was a child born with no state of mind, blind to the ways of mankind. He was born in the ghetto, and while he doesn't know anything, all he sees are pimps, addicts, and drug dealers. This is what he begins to know. He hasn't anything to grip onto but what he sees when he walks out the door. He has choices, but how is he going to know about them?

And that was the point, Mr. Chairman, I was trying to make yesterday. Rather than to submit this for the record, because there is some pretty rough language in other parts of it, I will just read that portion in, and that is that.

Chairman **Ford**. Governor, I will not tell you what magazine it appeared in, either. [Laughter.]

Mr. **Thornburgh**. I thought maybe you were going to ask me to perform it. [Laughter.]

Just to supplement that and reiterate something I said earlier, there are so many components to this process of moving from welfare dependency into meaningful employment. But, clearly, one of the most important is the one that I mentioned earlier about the concept of what the work life is about.

Much of our effort in the job training, quite aside from welfare or no, has been to get people, to familiarize them with the process of applying for a job, of filling out forms, writing a résumé, appearing for an interview. So many of these skills are not known to two groups of people: one, those young people who are at a float because of being on unemployment or welfare; and the second and the most challenging one is the dislocated worker; that is, the worker in many of our mill towns where the mill is shut down or operating at reduced capacity, where one generation after another has gone from high school into the mill, into good-paying jobs, and these folks, in mid-career, skilled workers, hard workers, have never had the challenge of having to find new employment.

A lot of the job clubs and other activities that have been undertaken in some of these areas heavily impacted by loss of heavy industrial employment have been directed toward just that, with some very satisfying results.

So that is a factor about job training that is often overlooked. It is not to teach a manual skill, to be a welder, a plumber, an electrician, or what have you, but simply how to enter into a job market at a time of a rising economy when new jobs are available.

Chairman **Ford**. Mrs. Kennelly.

Mrs. **Kennelly**. Thank you, Mr. Chairman, and, Governor, excuse me for being late.

Mr. **Thornburgh**. Good morning.

Mrs. **Kennelly**. And, also, congratulations on what a wonderful job I hear you are doing in your new position.

Governor, first let me say, by the way, that remarkable situation that you described of the mother being trained, and the grandmother as the day care helper and the grandchild in day care, is, I think, the goal of what many of us are looking at.

I just want to ask you a little bit more about the first page of your statement. You talk about, "At the heart of the system's shortcomings was a failure to differentiate between benefits for those permanently expectant of State support," and you described the very old, the young, the caretakers, the handicapped, and the disabled. And then you talk about the transitional in need of assistance, the able-bodied.

We are wrestling with something here. We have seen some of the best demonstration programs in which the numbers look very good, but when they get on to reexamination, you see that there is a tendency to take those that are in short-term aid and might have gotten a job, anyway, having a lot——

Mr. **Thornburgh**. Creaming, you mean.

Mrs. **Kennelly**. Creaming. I didn't want to use it today, but creaming. You know exactly what I mean.

Mr. **Thornburgh**. Yes.

Mrs. **Kennelly**. How, then, is this choice made when you put the caretakers in that first group, because we are finding that, if you really want to have meaningful welfare reform, you have got to take those facing the barriers of illiteracy and no training and put them into that area where you are spending some money, though it takes a lot of money, but you see long-term results.

So could you just expand on how you made this choice here, or maybe I am misreading it?

Mr. **THORNBURGH**. Well, I think that kind of gets us back into wrestling with the notion of at what age is it appropriate to substitute day care, coupled with a requirement for job or job training for a woman of AFDC, something I am really not capable of addressing as an expert, believe me.

In our experience, you see, our general assistance population was disproportionately made up of single, able-bodied, employable men, because it is a supplement to the AFDC program. So that caretaking role was an exception. More often than not, the caretaking role was to the AFDC mother who was not affected by this reform. So the caretaking refers to that case where it might be a woman not covered by AFDC or the less frequent case of a man who was the actual caretaker.

Mrs. **KENNELLY**. Governor, having put some time into this and having certain success in it, how do you feel about mandatory work and/or mandatory education for a welfare AFDC recipient?

Mr. **THORNBURGH**. Well, it is a difficult policing job. I don't think there is any question about that. But my sense is, with 5 years of experience in work requirements and work registration requirements, coupled with a broad spectrum of programs available to be taken advantage of, is that it has a substantial advantage over simple cash assistance. I think that advantage is not only fiscal, as I pointed out, but it is an advantage in terms of providing people with employment opportunities that they might not have had otherwise.

So I think the work requirement is very important. I think the difficulty of policing job training and educational requirements makes it a little more difficult. But again, I would look at the experiences of States where this has been carried out.

Mandatory training and educational requirements I do not have enough experience with to give you a judgment on.

Mrs. **KENNELLY**. Thank you, Governor.

Chairman **FORD**. Again, Governor, let us thank you very much for your appearance before the subcommittee, and thank you again for your testimony.

Mr. **THORNBURGH**. Thank you, and I wish you all well in a very important venture, and we will be following your activities with great interest.

Chairman **FORD**. Thank you very much.

The subcommittee would like to call a panel: Ms. Ruth Flower, a member of the Domestic Human Needs Work Group, the Interfaith Action of Economic Justice; Patrick Conover, policy advocate, Office for Church and Society, United Church of Christ; Charles V. Bergstrom, executive director of the Lutheran Office of Governmental Affairs; and Keith B. McMullin, managing director of the Welfare Services Department of the Church of Jesus Christ of Latter Day Saints.

The subcommittee would like to welcome the panel. We appreciate your being so patient in waiting to testify and look forward to hearing from you.

I want to apologize now for the fact that I will have to leave and go over to the Children's Defense Fund to make a brief statement before their conference today.

The Chair asks Mrs. Kennelly to come and chair the subcommittee at this time. I assure you that I will read your testimony, and if there are any questions, I will submit them to you and ask that you respond back in writing for the record.

Again, thank you.

Mrs. Kennelly.

Mrs. **Kennelly** [presiding]. Thank you, Mr. Chairman.

I see by the panel setup that we will begin with Ruth Flower, member, Domestic Human Needs Work Group, Interfaith Action for Economic Justice.

STATEMENT OF RUTH FLOWER, MEMBER, DOMESTIC HUMAN NEEDS POLICY WORK GROUP, INTERFAITH ACTION FOR ECONOMIC JUSTICE, AND LEGISLATIVE SECRETARY, FRIENDS COMMITTEE ON NATIONAL LEGISLATION

Ms. **Flower**. Thank you, Mrs. Kennelly.

I am Ruth Flower. I am a legislative secretary with the Friends Committee on National Legislation, which is a Quaker organization. Our organization works with 28 other national religious bodies—Protestants, Catholics, Jewish and ecumenical agencies and faith groups—in a group called Interfaith Action for Economic Justice.

We have been working together for about 13 years on a variety of policies that affect low-income Americans and low-income people around the world. I work with the Domestic Human Needs Policy Work Group, which focuses on one priority, poverty in America. We maintain that we can find an end to poverty in this country. We believe that this country has the resources and the know-how, and we have been trying to encourage steps toward that.

We very much have appreciated the work of this committee in that regard. The hearings that you have held and the work of the staff have moved us further along toward some realistic solutions to the problems of poverty.

We approach the discussions about welfare reform from this perspective, then: How can welfare programs be improved so that they will contribute more efficiently and more effectively to the goal of bringing people out of poverty?

We look at the welfare system as a part of the overall U.S. economy to see how it fits in. We see that the welfare system ought to have three purposes.

First, we think it should be designed, and is designed, to support those who are otherwise outside of the economic system, those who are permanently or temporarily unable to work, and those who own little or no capital. This would mean cash and in-kind support for elderly and disabled, for care-givers of small children and others in need of full-time care, and for unemployed workers.

The welfare system should also assist those that are entering or reentering the economic marketplace.

Last, we think that the welfare system can and should provide an income supplement to mitigate the actual fact that our labor system cannot offer an adequate income to all Americans who are working to support the basic needs of their families.

We look to see to what extent our major welfare program, AFDC, is fulfilling these purposes. Who is participating in the program, for example? Since 1972, the number of people participating in the AFDC program has held steady at between 10 and 11 million, in spite of the fact that, during that period, poverty has risen quite dramatically.

In 1973, about 84 percent of all poor children were in families that received some benefit from the AFDC program. By 1985, though, that number had dropped to about 57 percent.

We have been looking for reasons for the divergence between these two figures. There are some reasonable assumptions. One is that the remaining poor families are headed by someone who is getting a source of income from somewhere else, presumably work, so that almost half of the families that are in poverty are getting their income from some kind of employment. That seems to speak to a strong motivation to work, even in low-wage jobs, even when that effort is not going to result in bringing your family out of poverty.

This divergence may also point to the effect of some of the recent changes in the welfare program, one being that the earned income disregard—the ability to not count some of the income that a family brings in from wages—was changed a few years back so that it ends 4 months after employment begins.

That was a fundamental change in the AFDC program. It means that it no longer serves as a supplement to low-wage jobs. There is an end point beyond which you are on your own, regardless of how low of your wages may be.

This divergence may also be explained by the very low standards of need in some of the States. You may well know that the standards of need defined by the various States vary widely. Some of them are as low as $345, which is the standard of need for a family of three in Tennessee. Out of that, only $155 a month is the benefit that is actually paid. The way the formulas work out, if you actually earn more than $155 a month on some kind of part-time job or from babysitting or whatever, you are off the program; you are off of Medicaid, and you do not get any assistance at all. So this very low threshold may be one of the reasons that many poor families are in fact off of the AFDC program.

Interfaith Action strongly recommends that there be a continuance of a supplemental benefit for the working poor, that it not end at any time schedule but rather relate to the income of the family.

We also strongly recommend that the benefit levels be somewhat higher, and I want to get back to that in a minute.

One of the other reasons that these many poor families may not be on the AFDC program has to do with the fact that many States do not have the AFDC unemployed parent program. If there are two parents in the home, for most of the States, that means you do not qualify for the AFDC program regardless of income.

Interfaith Action would strongly recommend that this be mandated for all States. We believe that AFDC is trying to address the income needs of families and not particularly trying to focus on single-parent or two-parent families. We are one of very few industrialized nations that do not offer any support for unemployed people after a certain short period of time—if you do happen to qualify for unemployment insurance during that period of time.

In that regard, we also encourage the abandonment of the 100-hour rule or any other formulas that are used to define unemployment within that AFDC-UP program. We think that the benefits again should be available according to need rather than according to the employment situation of the parents.

Back to the benefit levels for just a moment, if I may. The national average level of actual support in the AFDC program was only about $348 per month as of June 1986. It is only about 45 percent of the poverty level, and that is for a family with no other income.

Now, prices vary across the Nation, especially in some rural areas. It might be possible to live on $348 a month in some places. But we know that in most imaginable circumstances, the basic necessities of life cannot be purchased for that. Housing alone, when it is available, costs more than that in most places, and then you have food, heat, clothing, and medicines, and all of these are out of the picture entirely.

In one State at least, an old law has been unearthed that names the "ability to maintain one's family in one's own home" as a standard that has to be met by State assistance. That standard makes imminent sense. The committee, I think, has been entertaining the idea that perhaps that would be a standard for the AFDC program.

We would hope that the Federal Government would create a national minimum benefit that would be at least adequate to prevent homelessness. That benefit level should relate to the cost of purchasing the basic necessities of life and should be indexed to keep up with inflation.

Finally, I want to address what the relationship is between welfare programs and work and what we think that relationship should be. I would want to say at the outset that Interfaith Action and all of our denominations honor work as a way of participating in society. We recognize a number of different things as work, including some things that are not recognized by the labor market.

We do also specifically value participation in the labor market. We think that people have a responsibility to support their families where they can, and that those who do receive some compensation for their contributions to society have a responsibility to share that with those who do not receive income for their contributions.

We think that the Federal Government has a definite role in trying to assure full employment and that the Federal Government has a variety of tools that it can use to bring that about. But we do not think that that responsibility is within the purview of welfare reform. We do not think that welfare should serve as a job provider in an economy that actually has no real jobs to offer. So there needs to be a partnership here between the welfare programs and the economy itself. We look to economic growth as one of the major helps to end poverty.

Welfare can and should serve as a bridge from welfare to employment. There are several planks to this bridge that I would like to mention just briefly. First, I would like to say, though, that some of the things I would mention as work enablers or planks in a bridge or whatever have been described by others as work incentives. I think we strongly differ with that characterization.

Among the majority of welfare recipients, we believe that there is no lack of motivation to work. There is no need for special incentives. Personal pride in most cases supplies that incentive. For example, the earned income disregard should not be thought of as a bonus to get someone to work but should be thought of as an attempt to reflect the real income that a worker brings home.

A worker's gross income is counted when deciding what the eligibility and benefits level should be. The earned income disregard balances out that fact somewhat by taking into account something close to the payroll deductions that come out of there, and it is supposed to offer some balance for the work expenses such as transportation and uniforms. In some cases, it does not quite meet that. So in fact it is only an attempt to reflect reality.

Subsidized child care would be another very important plank in a bridge to employment. Child care is a major expense. It is up there with housing for families that are trying to support a family with one parent and even in two-parent families. When you are talking about low-wage jobs, you need two parents to support a family above the poverty line. Without subsidy, the expense of child care can essentially wipe out the net gain of the second working parent.

A third plank would be a little flexibility in the regulations. The previous speaker, Governor Thornburgh, raised that point in one way. We would mention, for example, that some flexibility in AFDC regulations might allow for people to begin their own businesses. There have been some projects of this nature tried in a couple of parts of the country. It requires AFDC programs to bend a little bit to allow this to happen before real income can start coming in from the business.

Overall, we would hope that benefits could continue while a recipient pursues training and education opportunities. The allowed opportunities, we think, should include basic as well as intermediate and advanced education.

For many of the people who are on welfare, especially perhaps the young parents, time out for basic skills is essential. It requires more of an investment, but without that investment, those young parents will go nowhere.

On the other hand, there are some who need time out to complete or continue their higher education to move on to something that is going to keep their family not only off of welfare but completely out of poverty. We think this is a good investment, too, because some of the studies have shown that people move off the welfare rolls and into a low-wage job, and then one tragedy, one problem, can sink them back into poverty, back onto the welfare rolls.

To the extent that we have a chance to put a small investment in someone that can pick their family way up above the poverty line and not be in danger of dropping into poverty again, we think that is a good investment. It is liable to be a smaller investment than in some of the other cases, but definitely a good one.

The group that is most often considered in discussions of employment and training are those who just need retraining or a new skill or something of that nature. Certainly we support that kind of training. We do caution, however, against training that would not lead to a job or that would lead to a field that is essentially closed or does not keep up with the industrial changes that are happening in the country.

We do agree with Governor Thornburgh that there are certain benefits that come from the training experience itself, but I wonder if those are not almost balanced out by the failure that is experienced at the end of the training when there are no jobs that can use that training.

We have asked ourselves, also, who should be included in the welfare-to-work programs. The committee has been interested in that, also. We recognize that there are large numbers of people on the welfare programs that would make the move off welfare on their own. For those that are already skilled enough to enter the job market, we think they should be included in the programs of welfare-to-work for the reasons I have already stated, that they can be moved significantly above the poverty line.

But the program should not be designed only to serve those. There need to be some special considerations to make sure that those with the longer term needs are not pushed to the back of the line.

We think that one way to do this is through performance standards and evaluations built into the program, spelled out in the legislation. If you have a performance standard that simply counts how many placements you have at the end of the line, you may end up with two problems. One is that those placements will tend to focus on the easiest-to-place group. The other is that those placements may be in jobs that are not really substantial enough to support a family. So we would encourage that there be a bit more complex standard than that.

One possibility would be a performance standard that gives recognition to the degree of improvement in a recipient's situation Moving somebody into a real job that is going to be permanent would definitely be a great improvement, but also investing in a teenage mother's long-term education and getting her onto that first job would also be a great improvement and would receive points under this possibility.

We have, in general, welcomed the focus of the current debate on the kind and quality of programs needed to create actual opportunities to attain self-sufficiency through employment. We think, given the experiences of some of the States that have tried some of these very substantial programs, that they have found that they cannot serve everybody who wants to participate in the programs, and they have long waiting lists.

Under these circumstances, we think it is a bit premature to consider whether these programs need to be mandated for absolutely everybody. We would prefer that the concentration be put on the development of quality programs. If it turns out that there is a residual group that is simply not participating, then we might want to ask that question. Our bottom line is that participation should be voluntary because too many things can go wrong when one program is designed with the expectation that it will serve everybody.

I would wonder, among the 3 percent who did not participate in the program in Pennsylvania—mentioned by Governor Thornburgh—I would expect a very low percentage like that—and I wonder whether 1 or 2 percent might have been people who had some technical problems with the way their particular situations worked out: a child-care situation could not work; they could not get to the job. We have heard feedback like this, and we would be concerned about that in an overall mandatory program.

Finally, I would just want to raise the points about the dignity of the client and the case worker and this whole system. We really welcome the efforts to make the welfare system make a little more sense to everybody. When you are working with a program that makes some sense, everyone's dignity is increased.

We support the proposals taken by several of the groups toward integrating all of the assistance available to recipients into a well-planned package. That makes a lot of sense. We would hope that any of these such arrangements would be a two-way commitment so that the case worker and the recipient can sit down across a table, come up with some agreements, and both of them go away with reciprocal responsibilities.

We think that coordinating the eligibility standards and even the forms between the AFDC and the food stamp program likewise makes imminent sense. It would also help to have better resources and supports for case workers and lower caseloads for the case workers.

Client-worker advisory panels have also been suggested as something to help work the kinks out of the local system.

I am sure you have heard from a number of sources, and may hear more, about the sense of the assault on the personal dignity of a person who comes in seeking welfare assistance. There is no single change that is going to improve this, but a combination of a number of changes may address it.

We just hope that, as the committee works on this problem, it will keep in mind two people operating in good faith with good motivation, the case worker and the recipient, who are going to try to put these reforms into actual practice in a very particular life situation back in the towns. With those reasonable and well-motivated people in mind, we do believe that this Congress can design a welfare system that is going to provide an adequate level of support for those outside the labor market, that will allow and support a bridge to employment, and will allow a small but necessary supplemental level of services and assistance to workers whose wages are too low.

We thank you very much for your efforts toward that goal.

[Statement of Ms. Flower follows:]

Interfaith Action for Economic Justice

Members of Interfaith Action for Economic Justice are the mission boards or program units of national religious agencies working together for just and effective US food and agriculture, health and human services, and development and economic policies.

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Interfaith Action for Economic Justice, continuing the work of the Interreligious Taskforce on US Food Policy, speaks for itself and not its member agencies.

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Statement of Interfaith Action for Economic Justice
on Welfare Reform

submitted to the Subcommittee on
Public Assistance and Unemployment Compensation

Ways and Means Committee
U.S. House of Representatives

March 11, 1987

I am Ruth Flower, a Legislative Secretary with the Friends Committee on National Legislation. My organization works with 28 other national Protestant, Roman Catholic, Jewish, and ecumenical agencies and faith groups in a coalition called **Interfaith Action for Economic Justice**. The members of this coalition have come together over the past 13 years to seek just federal policies and programs for poor people in this country and around the world. This testimony is submitted today on behalf of the coalition.

The concerns of the members of Interfaith Action for the poor in this country have come to focus on one priority: we seek an end to poverty in the United States. We know that this country has the economic potential, the expertise and the experience to accomplish this goal. We have appreciated greatly the attention that this subcommittee and a handful of other committees in Congress have given to the problem of poverty. The hearings you have held, along with the research undertaken and published by your staff, have helped to advance and update our collective knowledge of the problems of poverty in the '80s, and have moved us further toward some realistic solutions.

Interfaith Action approaches the revitalized discussions about welfare reform from this perspective: how can welfare programs be improved so that they contribute more efficiently and effectively to the goal of bringing people out of poverty?

PURPOSES OF WELFARE — WHAT ARE WE TRYING TO ACCOMPLISH?

In its short history, the U.S. economy overall has flourished. Based on values of individualism and independence, the economy has incorporated a measure of flexibility and adaptability that has allowed growth and recovery despite a variety of challenges. However, that same spontaneity also brings a certain level of chaos to the system. Some ventures go awry; some people are left out or dropped out of the work-and-trade network that makes up our economy. This nation has created and institutionalized a welfare system because of our general awareness that no economic system -- especially not one as dynamic and unrestrained as ours -- can be perfect. There is general concern that, in some way, our economic system should serve all Americans. For those who are not otherwise part of the labor and capital system, the society expects to provide a decent living.

The welfare system we have devised, then, serves three specific purposes: It is designed to **support** those who are otherwise outside the economic system -- those who are permanently or temporarily unable to work, and who own little or no capital. This means cash and in-kind support for the elderly and disabled, for caregivers of small children and others in need of full-time care, and for unemployed workers. The welfare system should also **assist those who are entering or re-entering the economic marketplace**, by offering cash support and services during transition periods. Finally, the welfare system can **offer an income supplement** to mitigate the inability of the labor market to furnish an adequate income for all workers to support the basic needs of their families.

ELEMENTS OF WELFARE REFORM PROPOSALS

Members of Interfaith Action have watched closely the various welfare reform proposals that have emerged in recent months. Many of them share several elements in common; some raise unique ideas or suggest fresh approaches. Most of the issues relate to Aid to Families with Dependent Children (AFDC). We would like to comment on several of those elements here.

A Nationwide Standard Benefit?

Recent fluctuations in the U.S. economy have brought to light a sometimes forgotten fact: unemployment and poverty are problems with national origins. Oklahoma, Louisiana and Texas had little or no control over the drop in oil prices which caused such severe problems in that region. Michigan, Ohio, and states of the Northeast did not set or control the trade and tax policies that have had such a huge effect on their major industries. The farm states did not shape the federal policies which encouraged massive expansion of farm output in the early seventies, and which now leave many farmers faltering under heavy burdens of debt. Yet in each of these cases, the states are expected to compensate for these economic downturns by providing support for an increasing number of poor people in their regions. In addition, the states are expected to handle this responsibility with a diminished tax base. Closed or faltering industries and unemployed and under-employed workers generate fewer revenues, just when the people of the state or region are in dire need of **more** assistance. **Poverty is a national problem, with national causes. The solutions -- and their costs -- should be born by the national economy.**

Eligibility:

The number of people participating in the AFDC program has stabilized between 10 and 11 million since about 1972, in spite of the fact that the number of people in poverty has risen dramatically since that time. In 1973, about 84% of all poor children received some benefit from the AFDC program. By 1985, that rate had dropped to about 57%. See Table A, below.

AFDC Recipient Children Per 100 Children in Poverty, 1972-1985

Year	Number of children on AFDC[1]	Number of children on poverty[2]	Rate per 100 poor children[3]
1972	7,905,000	10,082,000	78.4
1973	7,902,000	9,453,000	83.6
1974	7,822,000	9,967,000	78.5
1975	8,095,000	10,882,000	74.4
1976	8,001,000	10,081,000	79.4
1977	7,773,000	10,028,000	77.5
1978	7,402,000	9,722,000	76.1
1979	7,179,000	9,993,000	71.8
1980	7,419,000	11,114,000	66.8
1981	7,527,000	12,068,000	62.4
1982	6,903,000	13,139,000	52.5
1983	7,098,000	13,449,000	52.8
1984	7,144,000	12,929,000	55.3
1985	7,164,000	12,983,000	57.4

1. The number of dependent children in active payment status on AFDC averaged over the 12 months in the calendar year.

2. The number of related dependent children living in families with incomes below the poverty level for the calendar year labeled.

3. The first column divided by the second column multiplied by 100. It is not meant to imply that all or only children in poverty level families are eligible for AFDC benefits. Because the poverty level is based on the living arrangements of children in March of the year after the one for which family income is calculated, many children will appear above and below poverty, when that was not in fact true for the families with which the child lived in the previous calendar year. Many children living in families below poverty are not eligible for AFDC because of state limitations on earnings and assets.

Several reasons have been advanced for the divergence of these figures. Most of the remaining poor children -- those who are not served by the AFDC program -- are presumably in families whose main source of income is employment. If that assumption is valid, then the figures do seem to illustrate a strong motivation to work, even when ones wages do not reach the poverty line. They also point to the effects of recent changes in the AFDC program that essentially cut the working poor adrift, without even minimal support. When the earned income disregard was modified so that it would terminat after after four months of employment, the character of the AFDC program was fundamentally changed. Under current law, AFDC benefits no longer serves as a supplement to the wages of the low-income worker. **Interfaith Action urges a continuation of supplemental benefits and services for working poor families** whose incomes are inadequate to meet their families' basic needs. The lack of participation of needy families in the AFDC program may also be explained by the unfairly low "state standards of need" (which restrict eligibility as well as benefits), or by the lack of an AFDC - Unemployed Parent program in half of the states.

Interfaith Action strongly recommends that the AFDC - Unemployed Parent program be mandated for all states. At present, the United States is one of a very few industrialized countries that offer no income support program for families of long-term unemployed workers. When unemployment insurance benefits run out -- after a maximum of 26 weeks, or immediately upon loss of employment for those not covered by unemployment insurance -- other options for family support run out too. Because of the peculiar history of our programs, only single-parent families receive government support. Yet poverty studies have shown that two-parent families have a much better chance of moving out of poverty and remaining independent of government assistance. Investments in relatively short-term assistance that can help whole families stay together make good economic sense as well as good social policy.

We would also encourage the abandonment of the "100 hour rule", or any other formula definition of unemployment in the AFDC-UP program. If a family's income is so low that it qualifies for AFDC assistance, it should receive that assistance. Whether the wage earner managed to earn that meager income by working 80 hours or 120 hours is irrelevant; the family's need for assistance should be the sole criterion, as in the basic AFDC program.

Benefit Levels:

The amount of assistance that families receive through AFDC varies widely from state to state. Each state sets its own "standard of need" as a basis for its benefit payments; the standard is supposed to reflect local economic conditions. In 1987, the standards of need for a family of three vary from $345 per month in Tennessee and $368 in Mississippi to $617 in California and $740 in Alaska. Few states actually meet their own standards of need when setting benefit levels -- even for a family with no other resources. (See Table B below.)

TABLE B: AFDC STATE STANDARDS OF NEED AND BENEFIT LEVELS
for one adult and two children, as of January 1, 1987

State	Standard of Need	Benefit Level*	Percent
Tennessee	$345	$155	45%
Mississippi	$368	$214	58%
Alabama	$384	$118	31%
Texas	$574	$184	32%
California	$617	$617	100%
Alaska	$740	$740	100%

*Benefit level for family with no other income or resources
Source: Department of Health and Human Services

The national average level of AFDC support for a family of three was $348 per month in June, 1986, which is only about 45% of the poverty level. If the family has any other income, the benefit levels go down from there. In order to qualify for benefits,earned incomemust be below the state benefit level. In Tennessee, for example, if a mother of two small children does some babysitting or manages to take on enough part time work to earn $155 per month, she and her children would be ineligible for any aid, including health care.

Prices vary; it may be possible in some parts of the country, under some circumstances, for a family of three to survive on $348 per month. But we know that in most imaginable circumstances, the basic necessities of life cannot be purchased for that amount. Housing alone, when it is available at all, costs more than that in most places. Food, heat, clothing, medicines -- all these are left out of the picture entirely.

In at least one state, an old law has been unearthed that names "the ability to maintain one's family in one's own home" as the standard that should be met by state assistance programs. The standard makes imminent sense. But in reality, the contrast between the flexibility of emergency responses to homelessness and the rigidity of long-term responses to poverty are creating some painful ironies for many poor families. The confluence of inadequately funded welfare programs with the temporary availability of funds for emergency shelter has created an administrative nightmare. Funds are available -- to a few, and for a very limited period of time -- for hotel rooms as emergency shelters, when other types of emergency shelters are full or unavailable. But non-emergency assistance -- AFDC -- is so inadequate (and the housing supply is so limited), that the family in expensive emergency housing cannot be placed in a decent apartment at a more modest price. Sometimes the choice allowed to local welfare administrators is between hotels and streets.

Clearly, AFDC benefit levels for most states are inadequate. **We believe that the federal government should create a national minimum benefit, at least adequate to prevent homelessness.** The benefit level should relate to the cost of purchasing the basic necessities of life, and should be indexed to keep pace with inflation.

WELFARE AND WORK

Value of Employment:

Interfaith Action honors work as a way of participating in society. In our discussions among the different religious denominations and faith groups that make up our membership, we find strong agreement that individuals of all ages have a responsibility — and should have opportunities — to make positive contributions to society. These contributions take many forms.

We place a very high value, for example, on the delicate and important work done by parents raising their children. We value the contributions of wisdom, vision, and history offered by our elders, and the questions and fresh insights of our children. These contributions, however, do not necessarily bring a price in the labor market -- they do not always translate into paid work.

We also value participation in the labor market. Our economy runs (in part) on the concept of trading one's skills and time for wages, and trading wages for goods and services. We believe that we have a responsibility to engage with one another, and to translate that engagement into life supports for all of society. This means that those who can participate in the labor market should do so, and that those who receive income in trade for their contributions should share these societal benefits with those whose contributions do not generate income.

Government's Role in Assuring Full Employment:

In order for this economy to function efficiently, wage-earning opportunities must be available to all potential workers. Because so many national and international economic, fiscal, and commercial trends affect or create unemployment in different parts of the country, it is entirely appropriate for the federal government to take an active role in assuring full employment. Many economists agree that by coordinating the actions of the federal reserve board with the economic and spending policies set by Congress, the federal government is fully capable of assuring full employment through the ebb and flow of most economic tides.

Moreover, with a careful eye to industrial planning, the federal government can help to insure that the skills of the American labor force keep up with the changing needs of American industries. Responsible monitoring of worldwide industrial development would permit adequate planning to avoid significant job loss to competitor nations.

The federal government can help to control unemployment significantly by foreseeing the kinds of skills that will be needed as our industrial base evolves, and by offering and supporting training in these skills. Where our workforce lacks some of the basic language, technical, and mathematic skills to keep up with the demands of the labor market, the federal government can strengthen the ability of all education systems to offer this training.

While these important priorities are appropriately within the responsibilities of the federal government, they are not within the purview of welfare reform. **Welfare should serve only as a bridge to employment, not as a job provider in an economy that has no real jobs to offer.**

Welfare Can Build Bridges to Employment

While welfare programs are not an appropriate source of employment opportunity, they can create **bridges to employment** in several ways:

1. **Earned Income Disregards** should be designed to reflect the costs of employment. At present, since a worker's gross income is considered when eligibility and benefit levels are determined, the earned income disregards should at least equal the payroll taxes taken out of the worker's paycheck. In addition, work expenses such as uniforms or other work-related clothing and transportation should be subtracted before the worker's net pay is calculated. Far from being a "work incentive" — a small bonus to "motivate" a person on welfare to take a job — the earned income disregard is an attempt to reflect the real income a worker brings home. **The earned income disregard should not terminate on a time schedule; benefits should be available to low-income workers on the basis of need.**

2. **Subsidized Child Care** should be made available while the recipient pursues a course of education and training, and after beginning employment. If child care subsidies are made available on a sliding fee basis (according to income), they can support low-income workers, even after leaving welfare, enabling them to continue in productive employment. Child care is a major expense to single parent households and to households with both parents working. Since a single, low-wage job is insufficient to support a family even at the poverty line, many families find it necessary to have two parents employed. Without subsidy, the expense of child care can almost wipe out the net gain of the second employed parent, making it nearly impossible for the family to move out of poverty through employment.

3. A little **flexibility** in the regulations governing the AFDC program, to allow for innovative approaches to employment, might enable some families to become economically self-sufficient. For example, there are a number of programs sponsored by foundations and banks that have enabled women on welfare to begin their own home businesses. They receive training and coaching from people experienced in small businesses and banking; upon preparation of an acceptable business plan, they are offered a loan by a participating bank. The local welfare programs have agreed to continue support for these women during the first months of their efforts, until their businesses begin to provide an actual income.

4. To build useful bridges to employment, the AFDC program must allow **benefits to continue while a recipient pursues training and education opportunities.** The "allowed" opportunities should include basic as well as intermediate and higher education. Some welfare recipients, especially many of those who became parents at a very young age, need to complete their basic education before pursuing any job opportunities. If these parents are ever to be able to support their children through employment, "time-out" for basic skills is essential. The welfare system can and should provide this time out by investing in income supports and child care for the family.

Other recipients might be able to utilize a period of "time out" for higher education. These recipients are also a good investment for the welfare system. Their needs might be somewhat minimized by the resources available to them through the education system, and they may be able to provide partial support for their families through part time employment. But the important supports of child care, medical assistance and even small cash grants can make a major difference in a lifetime. Instead of staying in a low paid job, a recipient should be allowed the opportunity to pursue a career that requires higher education. This person returns more revenues to all levels of government in later years, and makes other intangible contributions to society as well.

The group most often considered in discussions of employment and training are those who need only a short course in a technology or skill to allow them to make a reasonable living for their families. Careers in computers, electronics, and health care most often come to mind for this group. The return on investment of government dollars is easiest to see in this type of program. But the federal government should be cautious about pushing people into fields where there are no jobs, or into skills that are outdated by the time the training ends. Investments in poor training represent wasted time and wasted dollars. **The AFDC programs should permit support, including health care and child care, during this type of training.**

Who Should Be Included in Welfare-to-Work Programs?

The average length of stay on welfare is less than two years. With or without a program specifically designed to help people move off of welfare into employment, a large number of recipients will make that move on their own. Is it valuable for government to invest in creating opportunities for these people? Yes. For those who are already skilled enough to enter the job market, a relatively small investment can carry a big payoff. The objective should be not just employment, but employment that will support a family above the poverty line. Above a certain threshhold, a family's day-to-day survival loses the character of precariousness; then the family is far less likely to return to welfare with the occurence of one minor tragedy. Investments even in the highly skilled are worthwhile.

However, unless specific guidelines and evaluation standards are built in to a program, the highly-skilled (or "job ready") are likely to be the *only* placements made. Those with longer-term needs, such as remedial or basic education, are pushed to the back of the line because greater efforts are required to help them change their employment prospects. AFDC supports during training and beginning employment should also extend to those who need remedial or basic education, as well as training.

Performance standards and an evaluation process should be spelled out in legislation attempting to create a bridge from welfare to work. A simple standard -- one that counts only the numbers of placements -- has two dangers: (1) Placements efforts will tend to focus on those easiest to employ. (2) The quality of the placements are likely to be inadequate to support a family above the poverty level. In this era of scarce resources, guidelines that target specific groups (such as teenage parents) could encourage efforts for some of those who are harder to place, but these efforts may in practice exclude others who do not fit the chosen profile. A performance standard that gives recognition to the *degree* of improvement made in a specific recipient's situation would accommodate individuals in any group. Intensive, long-term efforts on behalf of a teenage mother would meet the standard, as would efforts to train a "job ready" person for a "real" job that would support a family in health and dignity.

Should welfare programs require that any particular groups of recipients "get on the bridge" from welfare to work? Interfaith Action welcomes the focus of the current debate on the *kind and quality* of programs needed to create actual opportunities to attain self-sufficiency through employment. Those states that have undertaken realistic programs, with a goal of helping people to move themselves into productive employment, have found that they've been unable to serve all those who want to participate in the programs. Under the circumstances, it seems somewhat premature to ask whether programs with long waiting lists should be mandated for all. Interfaith Action strongly urges that any welfare-to-work program be approached with a real purpose in mind -- the placement of people in real, life-sustaining jobs. Interfaith Action favors welfare-to-work programs which emphasize high quality support systems, and which enable participants to pursue useful training and employment opportunities.

But participation should be voluntary. Too many things can go wrong when one program is designed with the expectation that it will apply to all individual circumstances. Under no circumstances should any parent be punished for non-cooperation when an adequate support system is not available. For example, if good quality child care cannot be provided on a practical basis for a given family, participation in a work or training program should not be required. If the available work or training opportunities will not *improve* the recipient's economic circumstances, there should be no sanction for non-participation. Adequate notice, fair hearings, and other appropriate elements of due process must be assured to protect against the bureaucratic nightmares that almost inevitably ensnare both clients and administrators, even when both are acting in good faith.

DIGNITY OF THE CLIENT, THE CASEWORKER AND THE SYSTEM

Interfaith Action supports the direction taken by several of the welfare reform proposals toward integrating the assistance available to a recipient family into a well-planned package. Arrangements and agreements between the recipient and the social agency should be two-way commitments. Both the recipient and the caseworker should be able to bring ideas and proposals to the table, and both should come away with commitments and reciprocal responsibilities. Consequences of non-performance by either the county or the recipient should be negotiated on a individual basis.

Coordinating eligibility standards between AFDC and Food Stamps is a sensible idea that would reduce a considerable amount of redundant paperwork and time. Better supports and resources, and more reasonable caseloads for caseworkers would increase the opportunities for realistic planning with clients. Client-worker advisory panels could work out mutually agreeable solutions to the knotty problems that always arise in complex efforts such as these.

In a recent survey conducted by the Coalition on Human Needs among poor people, the problem most often mentioned about welfare was the assault on personal dignity that people felt upon coming into contact with the system. When clients come to the welfare office in a desperate situation, their personal dignity is already seriously damaged. The private information that they must reveal — sometimes in very public and busy places -- further diminishes their stature. When clients are then expected to live on a sum that cannot possibly support them and their children, they find other ways to survive. The deceptions made necessary by survival are demeaning and destructive of positive relationships with caseworkers. Abrupt and complicated changes in the programs create confusion and frustration for workers and clients alike. When caseworkers are given inadequate resources, and are asked to accomplish poorly-defined and sometimes impossible tasks, they may well find it difficult to respond to the individual plans, questions, and needs of each client.

No single change will improve this basic problem with the welfare system; but every change that is made can be viewed from the perspective of the client and the worker who must sit across the table from one another, putting these reforms into operation. Most of the people seeking welfare assistance, and most of the workers trying to make that assistance available, are acting in good faith, trying their best to apply huge federal programs to very particular life situations. With those reasonable and well-motivated people in mind, this Congress can design a welfare system that will provide an adequate level of support for those who are outside the labor market, allow and support a bridge to employment for those trying to get back to work, and offer a small but necessary level of supplemental assistance for workers whose wages are too low to allow their families to live in health and decency.

Mrs. **Kennelly.** Thank you, Ms. Flower.

I would like to remind the panelists that we welcome their entire testimony, and their entire testimony will go on the record, but if anybody wants to sum up their testimony, that is perfectly acceptable as well.

That was excellent testimony. Thank you very much.

The next witness will be Mr. Conover.

STATEMENT OF PATRICK W. GRACE CONOVER, PH.D., POLICY ADVOCATE, OFFICE FOR CHURCH IN SOCIETY, UNITED CHURCH OF CHRIST

Mr. **Conover.** My name is Patrick Conover, policy advocate for the Office for Church in Society, United Church of Christ. Our general synod, which is our most comprehensive national body, has spoken on the issue of welfare reform many times, and I am speaking out of the context of this policy. I am not attempting to speak for all 1.6 million members of our congregations.

I am pleased to have the opportunity to testify before this committee on the question of whether welfare recipients should be forced to participate in education, training, or employment-related programs as a condition to receiving benefits. Some are saying publicly that a consensus of liberals and conservatives is forming in favor of mandating participation in such programs.

Some academics and some political leaders may support mandatory requirements, but the churches are not taking this position, and neither are organizations in which the poor are constituents. I would also point out that there is opposition from some business and labor groups on this point.

The movement to coerce welfare recipients to participate in education, training, or employment-related programs, represented by such spokesmen as Charles Murray and Lawrence Mead, is value driven. Thus, the fact that the churches do not favor mandatory participation should be given strong consideration, since it was the values of the church which helped to create the welfare system in the first place.

I will summarize 10 reasons to oppose requiring mandatory participation. They challenge the values, theory, evidence, and practicalities upon which the proposal to mandate participation is based. To appreciate these arguments, however, requires a proper perspective. The basic problem is poverty, not welfare.

To focus on false myths about the motivational patterns of welfare recipients is, in the worst case, to blame the victims for their circumstances and, at best, to misunderstand the role of welfare and welfare reform in ameliorating the problem of poverty. Our contemporary situation may seem wonderful to those who love a cheap labor market with high competition for available jobs, but it is a prescription of agony and despair for millions.

The President and his supporters have provided eloquent rhetoric in favor of the generation of opportunity but have led the charge to cut the funding in Congress for programs which provide opportunity. In fact, the biggest single focus of his budget cuts has been at this very point.

With so many doors slammed shut, it is not surprising that so many are out in the cold. Now these same leaders are trying to distract attention from their bludgeoning of the opportunity structure by pointing to unproven motivational problems of a small proportion of those receiving welfare benefits.

The first priority in fighting poverty is to open the door to opportunities again with more adequate funding for the kinds of programs which have helped, such as WIC, Head Start, compensatory education, child care, Job Corps, Medicaid, JTPA, and others. The most basic AFDA reform needed is funding of a decent minimum national benefit.

The most basic myth to overcome is that of the underclass. There are some individuals who fit the crudest stereotypes, and most of them are not receiving welfare benefits. The great majority of those in poverty, and of those receiving welfare benefits, do not fit the underclass stereotype. Even for those who do fit the stereotype—and I have lived among and worked with such people—the provision of real opportunity can work wonders.

When our economy again generates a strong upward magnet for those who are poor, then many of the problems of despair will disappear. That is basic U.S. history, back to the economic development program of 40 acres and a mule.

Some are willing to trade off mandatory requirements for increases in resources. The burdens on the poor of such a tradeoff—practically, psychologically, and socially—are far higher than might first be perceived, and no one is talking seriously about a magnitude of increase in benefits which would justify trading anything off.

Those who are so willing to trade off the rights and the needs of the poor also have forgotten that they are trading off the future of millions of poor children who deserve a decent life as children. Children also deserve an equal opportunity to participate fully in our society, even if the false stereotypes about their parents are believed.

Acting out of a frustration to "do something" about welfare is a prescription for mischief in an atmosphere where false stereotypes of the poor predominate and in a climate where some are more interested in getting people off the welfare rolls rather than in helping those in need.

This committee has produced remarkably good research material and has held thought-provoking hearings. We are counting on you, because you are well informed, to resist the urge to "do something" and to persevere in your efforts in trying to do the right thing.

I will now suggest 10 reasons for opposing mandatory requirements.

One, work as a means to meeting the financial needs of persons and families; work as a means of self-realization and of expressing one's gifts and callings; work as a means of contributing to society; and work as a means of expressing spiritual caring for the created world is a very high value. But work is not the same as employment. Mandatory requirements fail to value the work of caring for children and other dependents and restricts the choices of parents to contribute to the society by work in the sociological, if not economic, sense. It shows a sexist lack of appreciation for what has traditionally been derogated as women's work, but which many are beginning to realize is a crucial investment in the future well-being of us all.

The need for good parenting is all the more pressing when it is remembered that many single parents are trying to raise children under very difficult and threatening circumstances, with children who are statistically more likely to have extra levels of health and educational needs.

Many single parents, mostly women, are working now under trying conditions for low pay, even when they have very young children. The need is not so much to motivate workforce participation as to protect the option for those for whom the good reasons not to work are most pressing.

Two, mandatory requirements are intrinsically unfair to that proportion of the poor who receive welfare benefits. It is not the poor who created high unemployment and high underemployment. They have not controlled the economic and political forces which have caused the value of the minimum wage to fall, which have exported jobs overseas, which have exploited the work of women and minorities, and which have shut previously open doors to opportunity.

If we listen to the cries of the poor, not just because of sympathy or guilt, but because they are the ones carrying a very expensive lesson about how our society is functioning, then we will direct attention back toward investing in the human resources which have made this country great.

Three, welfare does not cause dependency in any psychological or cultural sense. The myth that welfare causes dependency flows from the thinking of writers such as Lawrence Mead and Charles Murray and is not based on scientific research. Their research attacked the effectiveness of some antipoverty programs. Then, as experts, they declared that welfare causes dependency without offering any evidence for their assertion. I can go on about that.

But, with no part of such a hypothesis proved, the hypothesis does not even deserve the status of "interesting" or "likely" or "suggestive," since the underlying theory upon which it is based—that is, cultural poverty theory—was quite well disproved in the 1970's, and since the evidence which does bear upon this question is predominantly against the hypothesis.

Four, mandatory participation of welfare recipients in education, training, and employment-related programs is the wrong answer to the wrong problem. The problem, as I have said, is poverty. Education, training, and employment-related programs are antipoverty tools and deserve to be designed on their own intrinsic principles and fit to local circumstances. They should be directed by leaders and agencies with skills and orientation to fighting poverty and not made into a derivation of agencies with a very different purpose.

Five, it is unfair to make programs mandatory when the resources and opportunity are not available to meet the mandate. The amounts of resources which would be available under the most optimistic proposals currently afloat are minuscule compared to the level of need. Consider that JTPA, the largest program in this area, serves only 7 percent of those eligible and has been cut sharply in the 1980's. Consider that the average cost of child care is about $3,000 per year per child, and often for poor quality care. No one has costed out what it would take to strengthen departments of social services so that they could deliver quality case management, one-stop shopping, and comprehensive information and referral. Who has addressed the cost of quality supervision to make public service jobs worthwhile?

Six, given the low level of resources available for education, training, and employment-related programs, it is even more important that such resources be used well. Evaluative research has shown that the programs which have produced good results, such as some Job Corps programs, have been the most comprehensive and expensive programs. This argues for serving a smaller proportion of those in need but doing the job well.

Mandatory requirements would be a strong force for providing something light for everyone, and it is just such light programs which have been shown to be a waste of government money. The presumption that participation in programs should be made mandatory because of presumed low motivation—that is, laziness—is not only scientifically unfounded, as shown above; it is an expression of the stigmatization of welfare recipients which is at once unfair and a big social burden on those who take our help. To legitimatize such unfair stigmatization with the force of statute would only make this problem worse.

Seven, to the extent that there are some individuals who are receiving welfare benefits, who suffer from low motivation, making participation in programs mandatory is the worst way to overcome any problems. Mandatory programs externalize expectations as one more pressure to push against, while voluntary programs internalize expectations and build a sense of individual responsibility. This insight underlies both democracy and capitalism, two of the cornerstones of our Nation. Why turn away from the strengths upon which this Nation was built?

Eight, just as education, training, and employment related programs should be developed in terms of their own levels of need and their intrinsic principles of effective delivery, so should services such as health care, child and dependent care. For example, child care programs should be developed to serve the needs of children and the family needs of working parents, with priority given to the children and families most in need.

Nine, there is increasing attention to the family dynamics of poverty and welfare, particularly to financial and other contributions from noncustodial parents. Directing opportunities to noncustodial parents who are supporting their children, or willing to, is an investment in long-term child support, and probably, to an improvement in family dynamics. Programs should also help sustain family unity when both parents are unemployed by not forcing a divorce so that suffering children can receive benefits.

Ten, focusing on that portion of those on welfare who could be enabled or driven into employment distracts attention from the most basic welfare problem which needs reform; that is, getting adequate resources to those in greatest need. Mandating requirements does not change the crushing realities. What does change this reality is a change in the mix of opportunity, benefits, and services.

No one should expect miracles under the current difficult situation we face. What the poor can fairly hope for is that available resources will be used as fairly, effectively, and humanely as possible and that available political attention will be directed to making things better as rapidly as possible.

Thank you.

[Statement of Mr. Conover follows:]

STATEMENT OF PATRICK W. GRACE CONOVER, PH.D., POLICY ADVOCATE, OFFICE FOR CHURCH IN SOCIETY, UNITED CHURCH OF CHRIST

My name is Patrick W. Grace Conover, Policy Advocate for the Office for Church In Society, United Church of Christ. The United Church of Christ is a denomination with 1.6 million members and has a long history of advocacy on behalf of the poor and oppressed. Our General Synod, which is our most comprehensive national policy body, has spoken on the issue of welfare reform many times, and I am speaking out of the context of this policy. I am not attempting to speak for all 1.6 million members.

I am pleased to have the opportunity to testify before this Committee on the question of whether welfare recipients should be forced to participate in education, training, or employment related programs as a condition to receiving benefits. Some are saying publicly that a consensus of liberal and conservatives is forming in favor of mandating participation in such programs. Some academics and some political leaders may support mandatory requirements, but the churches are not taking this position and neither are organizations with the poor as constituents.

The movement to coerce welfare recipients to participate in education, training or employment related programs, represented by such spokesmen as Charles Murray and Lawrence Mead, are value driven. Thus, the fact that the churches do not favor mandatory participation should be given strong consideration since it was the values of the churches which helped to create the welfare system in the first place. This testimony shall show that not only are their values antithetical to the initial purposes of welfare, but the underlying social theory they are working from has been generally disproved and the preponderance of evidence is against the specific hypothesis that welfare causes dependency in a psychological or cultural sense.

To mandate participation of all welfare recipients in education, training, or employment related programs is grossly unfair if good programs are not available. Funding for such programs has been sharply cut back in the last six years and evaluative research has shown that the most cost effective programs are the most expensive ones. Just to build up the support structure for good programs, with effective case management, information and referral, and quality supervision, would cost many billions of dollars. A better approach would be to use scarce dollars for quality programs based on their own intrinsic principles, and fit to local circumstances, and then, perhaps, give priority of access to those receiving welfare benefits or to those providing child support.

I will summarize ten reasons to oppose requiring mandatory participation in education, training, and work related programs. They challenge the values, theory, evidence, and practicalities upon which the proposal to mandate participation is based. To appreciate these arguments, however, requires a proper perspective. THE BASIC PROBLEM IS POVERTY NOT WELFARE. To focus on (false myths about) the motivational patterns of welfare recipients is, in the worst case, to blame the victims for their circumstances and, at best, to misunderstand the role of welfare and welfare reform in ameliorating the problem of poverty.

While we have seen a small increase in the average per capita income over the last six years, that statistic masks the reality that the lower forty percent of wage earners have suffered an average loss of income. As Senator Moynihan has pointed out, 58 percent of net new jobs pay less than $7,000 per year. Because of the decline of the value of the minimum wage, inequities in pay for women, and movement toward a service economy, the greatest proportion of the recent increase in poverty has come among those who are working, particularly among the statistically most favored sub-cohort of our population, two parent white families with one or both parents working. Contemporary problems of poverty simply cannot be reduced to motivational problems of a so-called underclass.

Our contemporary situation may seem wonderful to those who love a cheap labor market with high competition for available jobs, but it is a prescription of agony and despair for millions. The President, and his supporters, have provided eloquent rhetoric in favor of the generation of opportunity but have led the charge to cut the funding for programs which provide opportunity. In fact, the biggest single focus of his budget cuts has been at this very point. With so many doors slammed shut it is not surprising that so many are out in the cold. Now these same leaders are trying to distract attention from their bludgeoning of the opportunity structure by pointing to unproven motivational problems of a small proportion of those receiving welfare benefits. The first priority in fighting poverty is opening up the doors of opportunity again with more adequate funding for the kinds of programs which have helped, such as WIC, Head Start, Compensatory Education, Child Care, Job Corps, Medicaid, JTPA, and others. The most basic AFDC reform needed is funding of a decent minimum national benefit.

The most basic myth to overcome is that of the underclass. There are some individuals who fit the crudest stereotypes and most of them are not receiving welfare benefits. But the great majority of those in poverty and of those receiving welfare benefits do NOT fit this stereotype. Even for those who do fit the stereotype, and I lived among and worked with such people, the provision of real opportunities can work wonders.

When our economy again generates a strong upward magnet for those who are poor, then many of the problems of despair will disappear. That is basic U.S. history back to the economic development program of forty acres and a mule.

Some are willing to trade off mandatory requirements for increases in resources. The burdens on the poor of such a trade-off practically, psychologically, and socially, are far higher than might first be perceived, and no one is talking seriously about a magnitude of increase in benefits which would justify trading anything off. Those who are so willing to trade off the rights and needs of the poor also have forgotten that they are trading off the futures of millions of poor children who deserve a decent life as children. Children also deserve an equal opportunity to participate fully in our society, even if the false stereotypes about their parents are believed. [illegible] frustration to do "something" about welfare is a prescription for mischief in an atmosphere where false stereotypes of the poor predominate, and, in a climate where some are more interested in getting people off the welfare rolls rather than in helping those in need. This Committee has produced remarkably good research material and has held thought provoking hearings. We are counting on you, because you are well informed, to resist the urge to do "something" and to persevere in trying to do the right thing.

Ten Reasons To Oppose Mandatory Requirements

Following are ten reasons for opposing mandatory participation of welfare recipients in programs of education, training, and employment related programs. In thinking through these reason I ask you to remember that the population receiving welfare benefits is quite heterogenous on several criteria, a point often made before this Committee. Those favoring mandatory requirements have the burden of showing that any advantage for some outweighs the costs to all.

1. Work as a means to meeting the financial needs of persons and families; work as a means of self realization and of expressing one's gifts and callings; work as a means of contributing to society; and work as a means of expressing spiritual caring for the created world, is a very high value. But work is not the same as employment. Mandatory requirements fail to value the work of caring for children and other dependents and restrict the choices of parents to contribute to this society by work in this sociological, if not economic, sense. It shows a sexist lack of appreciation for what has traditionally been derogated as "women's work" but which many are beginning to realize is a crucial investment in the future well-being of us all. The need for good parenting is all the more pressing when it is remembered that many single parents are trying to raise children under very difficult and threatening circumstances, children who are statistically more likely to have extra levels of health and educational needs. Many single parents, mostly women, are working now under trying conditions for low pay even when they

have very young children. The need is not so much to motivate work force participation as to protect the the option of those for whom the good reasons not to work are most pressing.

2. Mandatory requirements are intrinsically unfair to that proportion of the poor who receive welfare benefit. It is not the poor who created high unemployment and high underemployment. They havn't controlled the economic and political forces which have caused the value of the minimum wage to fall, which have exported jobs overseas, which have exploited the work of women and minorities, and which have shut previously open doors to opportunity. It is not the poor who have violated the social contract, manipulated the rewards structure of our society so income has been redistributed from those who have least income to those who have most. It is not the poor who fail to understand reciprocity or who lack social responsibility. It is not the poor who have shaped economic and social circumstances which are so inimical to the family life of Americans, rich and poor alike.

If we listen to the cries of the poor, not just because of sympathy or guilt, but because they are carrying a very expensive lesson about how our society is functioning, then we will direct attention back toward investing in the human resources which have made this country great. We will remember that "dependence" is a reality for us all. Each of us sitting here today have had help in getting to where we are. But dependence of the poor occurs within an economic reality which makes it hard to overcome the stumbling blocks placed in their paths. They do not need more burdens, more bureaucracy, more hoops to jump through. They need help. They deserve help because they are the ones who have personally born the burdens of a changing society where workers are displaced and farms lost through no fault of their own.

3. WELFARE DOES NOT CAUSE DEPENDENCY IN ANY PSYCHOLOGICAL OR CULTURAL SENSE. The myth that welfare causes dependency flows from the thinking of Lawrence Mead and Charles Murray and is NOT based on scientific research. Their research attacked the effectiveness of some anti-poverty programs. Then, as experts, they declared that welfare causes

"dependency" WITHOUT OFFERING ANY EVIDENCE FOR THEIR ASSERTION.

Consider what it would take to prove the hypothesis that welfare causes "dependency." Since a family must be in poverty BEFORE qualifying for AFDC benefits, one would have to show that CONTINUATION in poverty was above and beyond the causes associated with being in poverty in the first place. It would have to be shown that people on welfare are "dependent" in ways which other poor people are not. Furthermore, it would have to be shown that any correlation between receiving welfare benefits and continuation in poverty was due to a "dependency" of personality structure that was not derived from the circumstances of poverty and was unresponsive to changes in perceived opportunity structures.

No part of such an hypothesis has been proved. The hypothesis does not even deserve the status of "interesting," or "likely," or "suggestive," since the underlying theory upon which it is based, "Culture of Poverty Theory," was disproved in the 1970's, and since the evidence which does bear upon the question is predominantly against the hypothesis.

i. The majority of single parents who begin to receive AFDC benefits in a specific year are off of welfare in less than two years.

ii. The percentage of poor families receiving AFDC benefits, and the value of AFDC benefits, went down in the 1970's when critics were saying that increased welfare was causing increasing dependency.

iii. The most maligned of the persistently poor, unemployed young black males, receive no direct welfare benefits.

Even the anecdotal stories told by workfare proponents about how welfare recipients "love" mandatory experimental programs show that there is no lack of motivation when even the thinnest openings to opportunity are provided.

4. Mandatory participation of welfare recipients in education, training, and employment related programs is the wrong answer to the wrong problem. THE PROBLEM IS POVERTY. Education, training, and employment related programs are anti-poverty tools and deserve to be designed on their own intrinsic principles and fit to local circumstances. They should be directed by leaders and agencies with skills and orientation to fighting poverty and not made into a derivative of agencies with a very different purpose. The purpose of AFDC is to sustain families with children while they are in poverty and to provide counselling, information and referral while they try to move out of poverty.

5. It is unfair to make programs mandatory when the resources and opportunity are not available to meet the mandates. The amount of resources which would be available, under the most optimistic proposals currently afloat, are miniscule compared to the level of need. Consider that JTPA, the largest program, serves only seven percent of those eligible and has been sharply cut in the 1980s. Consider that the average cost of child care is about $3,000 per year, per child, often for poor quality care. No one has costed out what it would take to strengthen Departments of Social Service so that they could deliver quality case management, "one-stop shopping," and comprehensive information and referral. Who has addressed the cost of quality supervision to make public service jobs worthwhile?

It has been proposed that any mandating of requirements might be limited to those for whom opportunity is available and that some sort of point system might be constructed as a basis for fitting recipients to opportunity. This is certainly a humane suggestion and meets the fairness issue raised at this point, but it promises additional difficulty of administration and would have the effect of restricting opportunity for highly motivated individuals who do not fit an objective points category.

It has also been suggested that in the face of restricted opportunity, no mandatory requirements would be imposed until all volunteers were served. This is also a humane and desirable qualification. But why bother to establish a requirement until it has been shown that opportunity is going begging?

6. Given the low level of resources available for education, training, and employment related programs, it is even more important that such resources be used well. Evaluative research has shown that the programs which have produced good results, such as some Job Corps programs, have been the most comprehensive and expensive programs. This argues for serving a smaller proportion of those in need but doing the job well. Mandatory requirements would be a strong force for providing something light for everyone and it is just such light programs which have been shown to be a waste of government money.

7. The presumption that participation in programs should be made mandatory because of presumed low motivation (laziness) is not only scientifically unfounded, as shown above, it is an expression of the stigmatization of welfare recipients which is at once unfair and a big social burden on those who take our help. To legitimize such unfair stigmatization with the force of statute would make this problem much worse.

To the extent that there are some individuals who are receiving welfare benefits who suffer from low motivation, making participation in programs mandatory is the worst way to overcome any problems. Mandatory programs externalize expectations as one more pressure to push against, while voluntary programs internalize expectations and build a sense of individual responsibility. This insight underlies both democracy and capitalism, two of the cornerstones of our nation. For such reasons, the National Alliance for Business, wants a voluntary program. Before voting for mandatory requirements, you might put yourself in the place of an employer and ask yourself what value you would give to credentials produced by coercion.

8. Just as education, training, and employment related programs should be developed in terms of their own levels of need and their intrinsic

principles of effective delivery, so should services such as health care, child and dependent care, housing, transportation, counselling, and case management. For example, child care programs should be developed to serve the needs of children and the family needs of working parents, with priority given to the children and families most in need. For child care, as for many other services, the level of resources is small compared to the level of need. In the stretched thin economy of child care we need less, not more, of two tracked programs, duplication, and stigmatization. Put the nation's money into creating the best child care programs possible and then consider giving priority of access to some slots to welfare recipients engaged in self-help programs. Remember that the more such services are available on their own the less will be the attraction to get onto welfare to get the services.

9. There is increasing attention to the family dynamics of poverty and welfare, particularly to financial and other contributions from non-custodial parents. Programs should also help sustain family unity when both parents are unemployed by not forcing a divorce so that suffering children can receive benefits. Two parent families often have the best chance to make good use of opportunities and are thus most likey to escape from economic dependence. Directing opportunites to non-custodial parents who are supporting their children, or willing to, is an investment in long term child support and, probably, of an improvement in family dynamics.

10. Focusing on that portion of those on welfare who could be enabled or driven into employment distracts attention from the most basic welfare problem which needs reform, getting adequate resources to those in greatest need. Many recipients are handicapped by disabilities and by serious difficulties which do not qualify as legally defined medical disabilities. They will not easily become attractive employees,particularly when rates of unemployment and underemployment are so high. Poorly paid jobs with minimum or zero benefits are not likely to be able to sustain many such individuals and families against the burdens of the working poor which throw so many down into total poverty.

homelessness, and hunger. Mandating requirements does not change the crushing realities. What does change this reality is a change in the mix of opportunity, benefits, and services. Under any mix, those most likely to take advantage of opportunities and services are those with the most personal resources, of which motivation is but one aspect. Mandatory participation forces resources toward those least likely to take advantage of them and decreases the anti-poverty blossom for the buck.

Summary

The fiscal restraint of needing to reduce the budget deficit has put dark clouds over many good programs which cost money. In fighting poverty it is hard to think up good strategies which don't cost money. When one looks at the one-third decline in value of AFDC benefits it is hard to think of any reforms which don't cost billions just to recover lost ground, much less open up new opportunities and services. Mandating participation in programs doesn't look like it would cost much money, though the more humane versions of such legislation have more hidden costs than first meet the eye, but neither does it do anything to overcome the basic problems of poverty which are upon our nation.

No one should expect miracles under the current difficult situation we face. Mandatory requirements are not silver bullets anyway. What the poor can fairly hope for is that available resources will be used as fairly, effectively, and humanely as possible, and that available political attention will be directed to making things better as rapidly as possible.

Mrs. KENNELLY. Thank you, sir, very much.

Mr. Charles Bergstrom, executive director, Lutheran Office for Governmental Affairs.

Mr. Bergstrom.

STATEMENT OF REV. CHARLES V. BERGSTROM, EXECUTIVE DIRECTOR, LUTHERAN OFFICE FOR GOVERNMENTAL AFFAIRS, LUTHERAN COUNCIL IN THE U.S.A.

Reverend BERGSTROM. Thank you, Mrs. Kennelly.

Since this is being printed, the statement in its entirety, I will try to show my appreciation by some brevity, as much as that is possible for a clergyman, and I do want to underscore the appreciation to those of you who are here and to other members for what you are doing in these hearings.

In addition to the work that is presented in terms of the church's history and its theology, also underscored perhaps as one of the unique contributions that might come from this testimony is a series of hearings that were held across the country. Seated just behind me is Ms. Kristin Anderson Ostrom, who directed those.

The three churches I represent, I would like to underscore again, believe that, theologically, we have a concern not only for charity but for justice and that there can be interaction between the corporate government and church in that area.

I just underscore the four principles that you see on the first page of the testimony, that we really are facing a scandal in terms of this Nation's poverty and the challenge that is before us; secondly, the human dignity, which has already had reference, that that needs to be respected, and that government needs to make some assurance that we have at least minimum necessities provided for; and, finally, that these requirements come to underscore the dignity of people with ability to work.

Already mentioned has been the fact that we have had an emphasis on recent years on balancing the budget and reduced Federal spending rather than to take a good look at poverty programs.

In Omaha, Nebr., the Pantry System administered by the Lutheran churches there has experienced a 120 percent increase in emergency food needs between 1982 and 1985, and it was for this reason that the "More Than Charity" campaign was developed in the seven areas across the country that are indicated. These brought together bishops, church officials, people from the poor and low-income areas of our Nation, congregational volunteers, staff, elected officials, State human service providers, and other government personnel.

Out of this has come not only the portion of the report which we have here but also an audiovisual which is provided for the use, perhaps, of members of this committee or staff. It is a 28-minute piece which summarizes the testimony brought before the churches from people who are dependent upon welfare.

These are seven comments which are listed in the testimony. Let me just underscore those. First of all, that poverty is the primary problem, not the welfare system; that we have across our Nation economic and social systems that develop the poverty problems rather than that there is a welfare system that develops these. Again, that has been underscored previously.

That the reform needs to be comprehensive is another comment that we would like to add in our testimony; that there needs to be some restructuring, therefore, to face all of the needs that are involved.

The adequate employment portion of that, we think, is a key to battling poverty, which means that the rate of unemployment should not be acceptable to us as we have come to feel in the recent years, and that we recognize the need to overcome that; that unemployment benefits are made adequate and that wages are paid which are helpful.

It is the members of such employed poor families that have increased since the late 1970's. Two-parent working poor families represent the fastest growing segment of the poverty population.

The fourth comment is that we need to recognize and underscore once more—as has been said today and, I am sure, in previous testimony—that we move from welfare to employment; that this be considered a social investment, not just a matter of reducing the welfare rolls.

This entitles the reciprocal responsibility which we spoke about; some matters of choice which have already been indicated. I remember testimony from Governor Castle of Delaware underscoring the cooperative nature that he found in his State that was so important and so necessary.

We then speak to the family value, family responsibilities in these areas. It is important to think of the nurturing of children that also must be a part of providing financially for their care; the job creation and support services.

The fifth comment involves, then, the basic financial support, that we try to move in this transition from welfare to employment so that we recognize there are categories here, those who may continually need that help and others who are found there on a temporary basis.

Two women who have testified before our hearings said these two things. One: "I spent my life on welfare struggling for survival—that's what I want to say at this hearing—the welfare recipient spends her life struggling for survival."

The second comment was, "Every month I decide on heating the apartment or feeding my children."

We feel that to represent the real concern, not only for the church but also for government, we need to recognize the affirming and advocating of basic human needs and the drive toward a single criteria of financial need.

We would like to underscore the programs that are being suggested in the Family Investment Act of 1987, with credit to you, Mrs. Kennelly, and to others, that we hope in this area you have at least a sample of the direction in which the committee might move, and that the family living standard is a concept that we also affirm and advocate.

Now, the sixth comment has to do with administrative reform, and there has been a lot of comment here already, and I am sure there can be discussion about what happens to people involved in welfare. I just want to point out the emotional and psychological abuse that sometimes is placed upon these people.

The seventh comment has to do with poverty prevention as we look at our children. To keep healthy children, to equip them for participation in society, above everything else, would help to break these cycles, and we list here some of those tremendous programs that have been developed over the recent years that are helpful.

I would like to underscore personally the need for the strong support of public education in this area, that children need to receive that kind of training.

So we raise the following questions in conclusion: Does the system adequately meet the basic human needs of the poor? That would include income, nutrition, shelter, and health care. Is the system accessible to all those who are in need? Does the system support family stability and value family responsibility? And does the system encourage long-term economic self-sufficiency and adequately provide transitional assistance?

I served for 29 years in parishes in New England, 6 of them in Bridgeport, CT. I have worked with our national agencies of the Lutheran Church across the Nation. I have also served in many particular community programs, and I have yet to meet a family that I felt enjoyed being on welfare or that sought to continue that kind of relationship.

Earlier this week, I heard an address by Rev. Robert Marshall of the Lutheran Church in America, and I just want to make these comments to come back to the theology with which I hope I began and point out that the Old Testament treats poverty as something very unnatural, as not a part of creation. It was not until Abraham and Sarah had to flee to Egypt and then depend upon the Egyptian Government to feed them that it becomes a part of their experience.

Poverty is intolerable on the basis of the church's theology, and divine judgment becomes an abusive use of that power. The Old Testament preaching from its prophets was always against those who had power and abused it, particularly in relationship to those who had less income.

I heard a statement also the other day that capitalism is a system in which people exploit people and that, in communism, it is the other way around. I am not sure how you talk about helping people or oppressing people or exploiting them, but I think, in open discussions and opportunities for hearing, when church and government together can take a look at these needs, we have a very important opportunity to create some solutions.

Thank you.

[Statement of Reverend Bergstrom follows:]

Statement of
The Rev. Charles V. Bergstrom, Executive Director
Lutheran Office for Governmental Affairs
Lutheran Council in the U.S.A.

on
Welfare Reform

submitted to the
House Committee on Ways and Means
Subcommittee on Public Assistance and Unemployment Compensation

March 18, 1987

I appreciate the opportunity to comment this morning on the current welfare reform debate. The Lutheran Office for Governmental Affairs represents the following Lutheran churches:

The American Lutheran Church, headquartered in Minneapolis, Minnesota, has 2.4 million members in 4,900 congregations;

The Lutheran Church in America, headquartered in New York, New York, has 3 million members in 6,100 congregations;

The Association of Evangelical Lutheran Churches, headquartered in St. Louis, Missouri, has 109,000 members in 273 congregations.

The Lutheran churches' testimony today grows out of a long standing concern for the well-being and dignity of all persons, especially those who live in poverty. The church, through our congregational soup kitchens and shelters, our social service agencies, jobs services, hospitals, and individual counseling and advocacy efforts, is confronted daily with the needs of the poor.

Out of the church's faith and experience in ministering to the poor, we believe that it is the Creator's will that both individual actions and corporate structures protect and enhance the dignity of all persons.

As Christians, we believe we have a basic responsibility to serve the needs of the poor. But at the same time, we believe that it is the proper function of the state, under God and in furtherance of justice, to promote the general welfare. Since humans do not always naturally and readily seek the good of their neighbor, the guarantee and enforcement of law is required. We believe that the Church and government are to interact creatively in the struggle to eliminate poverty.

The following general principles guide our approach to the issue of welfare reform:

**The poverty of millions of this nation's citizens is a continuing scandal which calls for both government and voluntary action.

**Justice demands that the needs of the poor be consistently met and their human dignity respected.

**Government, as the God-given means of enforcing the claims of economic justice, has among its responsibilities ensuring that all people have access to the minimum necessities which are prerequisites for full participation in society.

**Essential to the dignity of persons is the ability to work. Every able bodied adult should be afforded the opportunity for meaningful employment, sufficiently renumerative to secure, at the very least, the minimal necessities required in our society for living in decency and dignity.

During the 1980's, changes in federal welfare programs were made within the context of the federal budget debate. Attention has been focused on how to reduce government spending rather than how to make programs targeted to the poor more effective. And while the federal government significantly cut federal programs targeted to the poor, the church has witnessed a sharp increase in the number of hungry families standing in line at our soup kitchens; the church has witnessed growing numbers of homeless families--including men, women and children--sleeping on our congregations' floors. Our Omaha Pantry System alone experienced a 120% increase in emergency food needs between 1982 - 1985.

Thus, today we sincerely welcome the national debate on welfare reform as it provides the first opportunity in this decade to assess the strengths and weaknesses of our federal efforts to deal with poverty and to seek long-term changes on behalf of the poor in this country.

Responding to this opportunity, the Lutheran church launched a national educational campaign on the extent of poverty in the United States and the need for welfare reform entitled, "More Than Charity."

The center piece of the "More Than Charity" campaign included seven regional hearings on poverty and welfare reform held this past fall. Lutheran Bishops and other church officials heard testimony from a wide cross-section of people including: the poor, congregational volunteers, Lutheran social service staff, elected officials, state human service providers and other governmental personnel.

The seven regional hearings were held in Hibbing, Minnesota; Omaha, Nebraska; Cleveland, Ohio; Wichita, Kansas; St. Louis, Missouri; Denver, Colorado; and Montgomery, Alabama.

And thus, it is on the basis of the Lutheran church's social statements on poverty and social welfare--informed by the recent testimony the Lutheran church has received from the poor and people working directly with the poor--that we submit the following comments on the current welfare reform debate.

1. Poverty is the primary problem, not the welfare system.

The recent attention to our federal/state welfare system and the need for reform has focused on welfare client's dependency on the system. It is important to recognize a significant dependency factor within our current welfare system. It will be important to rethink the signals our current system sends to people and to reexamine the needs of individuals who tend to stay on welfare longer. And as we will state in a few moments, the current public assistance system has many inadequacies. However, it is essential to recognize that the primary problems of poor families are rooted in our economic and social systems, not the welfare system. Underlying economic and social factors are the heart of the problem.

2. Comprehensive Reform

Ideally, we support a comprehensive overhaul of our current welfare system. We believe that a fundamental restructuring of the system is necessary to ensure that all people have access to the minimum necessities which are prerequisites for full participation in society. This includes a system which adequately deals with all individuals and whole families in need; a system which provides adequate employment opportunities or education/training to secure employment; a system which provides help to the employed poor--in the form of residual aid--to allow the employed poor to maintain a decent standard of living; and a system that provides a decent standard of living for those who can not participate in our economic system.

But until the current public assistance system is replaced, it is essential that reform take place. Even alone, specific incremental reforms can significantly improve the system.

3. Adequate Employment -- Key to Battling Poverty

It is axiomatic to say that the best way out of poverty is a good job; the link between the economy and poverty is clear. But a tragic reality of our economy is a rate of unemployment which, although lower than at the depth of the recent recession, is still far above the 4 percent level mandated by the Humphrey-Hawkins Full Employment Act. Exacerbating this situation is the inadequacy of unemployment benefits for many workers who have lost their jobs. Another factor in the employment/self sufficiency equation is the economic system's reliance on jobs which do not pay wages sufficient for full time workers to pull themselves and their families out of poverty. The federal minimum wage has not been adjusted for inflation since 1979. Thus, a two parent working family of four can only earn 65% of the federal poverty line. For two million adults, working full-time at a minimum wage job means poverty for their families! The numbers of such employed poor families has increased dramatically since the late 1970's; two-parent working poor families have represented the fastest growing segment of the poverty population.

We therefore affirm and advocate:

**Government policies which reflect a fundamental commitment to reducing unemployment

**Raising the federal minimum wage, which has been severely eroded by inflation in recent years, and indexing it to prevent further erosion

**Providing supplementary support services, such as residual grants, child care and health care coverage to employed poor families on a gradually reducing basis to enable them to maintain a minimal living standard without providing a disincentive to work.

4. Welfare-to-Employment

There has recently been a great deal of discussion concerning welfare-to-work proposals. Currently, our welfare system punishes those who try to make changes in their lives. For example, the dollar-for-dollar reduction in a recipient's Aid to Families with Dependent Children grant from one's earnings punishes the recipient's drive and initiative to make ends meet or to get ahead economically. Similarly, when a welfare recipient receives an educational grant to further his or her education, the person's benefit is often decreased. Our current system makes it very difficult to get ahead economically.

Thus, we welcome the current discussion. We affirm the need to provide real opportunities within the welfare system to allow recipients to make the transition from welfare to employment--to begin to meet their own basic needs. But such a transition must be viewed as a social investment and not simply as a way to reduce the current welfare rolls. For the transition to be a social investment leading to long-term economic self-sufficiency, such a welfare-to-employment program must care for the following considerations:

a. Reciprocal Responsibility--It has again become important to emphasize that poor people have a responsibility to change their situation. We continue to affirm that individuals have such a responsibility. We also affirm that society/human service agencies have a responsibility to provide or help individuals find avenues out of poverty. Reciprocal responsibility between clients and agencies is an important concept to recognize and fulfill.

b. Choice--A variety of options should be made available to welfare recipients including basic remedial education, higher education, family development education, job training, job readiness, and job placement. Based on individual assessments, agencies should help recipients choose that which will help the recipient move toward long term economic self-sufficiency.

c. Value Family Responsibilities--welfare/work initiatives have rightly recognized the necessary role of families to provide financially for their children. But families also have another important role: nurturing children.

Mothers and fathers of young children working at home to educate and raise their children provide a necessary and essential service to society. Opportunities provided to help welfare recipients move to long term economic self-sufficiency should be structured in a way that does not demean or undermine the most important role of the family.

This is extremely important to recognize in one parent families where one parent must perform both roles. In this case, it may be appropriate to offer part-time education/training opportunities.

d. Job Creation--is an integral part of a successful welfare-to-employment program. Throughout many areas in the country there are simply not enough jobs available. It is cruel and inhumane to train people in anticipation of securing a job when adequate employment to meet basic human needs is often not available.

e. Support Services--are an integral part of a successful welfare-to-employment program. Support services such as adequate day care, health care, and transportation need to be available to recipients during their participation in the program. After employment is secured, support services should be viewed as residual aid.

5. Basic Financial Support

It will be necessary for those who are in transition from welfare-to-employment, as well as for many poor people who may always need assistance (for example, many aged, handicapped, and disabled persons), to provide benefits adequate to meet basic human needs and available to all those in need.

Again and again, throughout the seven regional hearings the Lutheran church held this fall on poverty and welfare reform, testimony reflected the fact that our current federal-state welfare system does not provide for the basic necessities of life, nor are benefits accessible to all in need.

Testimony received from two women currently on welfare can articulate the inadequacy of the benefits better than I.

> "I spend my life on welfare struggling for survival--that's what I want to say at this hearing--the welfare recipient spends her life struggling for survival." St. Louis, Missouri, October 16, 1986
>
> "Every month I decide on heating the apartment or feeding my children." Cleveland, Ohio, October 14, 1986

The combined Aid to Families with Dependent Children and food stamp benefit is three/fourths the federal poverty line in 40 states. Throughout the hearings, recipients and congregational volunteers noted that food stamps last only two weeks of the month. Our church food pantries are rapidly becoming a primary source of food rather than an emergency source. Many church pantries testified that they can not keep up with the increased demand for food and are turning needy families away.

In addition, there is presently not enough low-income affordable housing available. Testimony described waiting lists--up to 2,000 people long with a 4 - 5 year waiting period. Our congregations describe the housing of more and more families with children on their floors at night. And many of these families living in church basements are employed.

We therefore affirm and advocate:

a. It is the role of the federal government to ensure that benefits are adequate to provide for basic human needs including income, nutrition, shelter, health care.

b. The elimination of categories in social welfare programs and the establishment of a single criteria of financial need. All in need should have access to support.

We encourage the committee to seriously study the American Public Welfare Association's proposed nationally-mandated, state-specific "Family Living Standard." Recently introduced as the "Family Investment Act of 1987" by Representative Kennelly and Representative Matsui, the concept of the "Family Living Standard" deserves thoughtful attention by the committee as one proposal that could ensure that basic needs are met--based on a realistic assessment of the actual cost of living in various areas.

In the interim, we affirm and advocate:

a. A federal minimum benefit standard for the Aid to Families with Dependent Children program--which currently allows many states to provide benefits to destitute families far below their own standards of need. This national standard should be indexed to inflation.

b. The expansion to all states of the AFDC-Unemployed Parent program. It is appropriate to encourage family stability by requiring all states to make two-parent families with unemployed wage earners eligible to receive benefits, if they meet other AFDC eligibility requirements. The AFDC-UP program should also be extended to families where one parent is involved in an education or job training program--thus encouraging young families to stay together.

6. Administrative Reforms

The system that seeks to aid the poor often creates greater hardship for the poor. Many recipients testified to the emotional and psychological abuse the system had placed on them. The impersonal treatment, lack of compassion and a lack of information about services already available--can be alleviated somewhat by hiring more caseworkers. Other administrative reforms include streamlining regulations, providing for a central location for all services, and an information/outreach center.

7. Poverty Prevention: An Investment in Poor Children

Attention to reforming our welfare system can not ignore the necessary investment we need to make today in our poor children and their families in order to prevent the poverty of tomorrow. Keeping poor children healthy and equipping them for full participation in society is key to breaking the cycle of poverty.

Programs with a strong record of effectiveness in this area include: the Headstart comprehensive preschool program for low income children, the supplemental feeding program for Women, Infants and Children (WIC), compensatory education, child nutrition, Maternal and Child Health and Medicaid. Although these programs have proven track records, most are inadequately funded and thus can not provide for all those women and children who are eligible. These programs are investments in the future of our children--and warrant continued strong and adequate support.

In addition, our basic education system continues to produce people without adequate basic skills needed to survive in our culture. Renewed attention to strengthening our basic education system and a concentrated effort to reduce high-school drop-out rates is necessary.

In Summary:

As we debate how best to reform our current federal-state public assistance system, the following questions can help judge various incremental or comprehensive reform proposals:

1. Does the system adequately meet the basic human needs of the poor including income, nutrition, shelter, and health care?

2. Is the system accessible to all those in need?

3. Does the system support family stability and value family responsibility?

4. Does the system encourage long term economic self-sufficiency and adequately provide transitional assistance?

It will continue to be important to remember that reforming our welfare system can not take place in a vacuum. Battling poverty must be our primary objective. We must battle our nation's current unemployment rate and below the poverty line minimum wage in order to provide real economic self-sufficiency to more of our citizens. We must battle poor education, poor nutrition, poor health, and poor housing. Both the church and the government have an obligation to battle the poverty we are confronted with daily. We all have an obligation to invest today in the futures of our poor children and their families and thus in the future of our nation.

Mrs. KENNELLY. Thank you, sir.

Our next witness will be Keith B. McMullin, managing director of welfare services for the Church of Jesus Christ of Latter-Day Saints.

Congressman Wayne Owens is in the audience, and I believe, Congressman, that you helped us get this witness to come share his knowledge with us today.

Thank you, Mr. McMullin.

STATEMENT OF KEITH B. McMULLIN, MANAGING DIRECTOR OF WELFARE SERVICES, THE CHURCH OF JESUS CHRIST OF LATTER-DAY SAINTS

Mr. McMULLIN. I wish to express our appreciation to this committee for this invitation you have extended to us to come and share with you the perspective and experience that we have gained over the years in working with those who are less fortunate.

We do not profess to be experts in government welfare, nor do we come here to suggest to you the reforms that might be necessary. We appreciate, however, the dilemma with which you are confronted and admire and encourage the efforts that you have undertaken.

I have been asked to tell you about the welfare program of the Church of Jesus Christ of Latter-Day Saints, sometimes referred to as the Mormon Church. I should stress from the beginning that the church's welfare program operates independently from municipal, county, State, or Federal Governments. It is a church endeavor based upon religious principles and carried out by church officers and agencies.

Where community resources are available that are compatible with our approach, we are happy to use them. Our overarching aim, however, is to help people help themselves. Therefore, in all that we do, we strive to promote self-reliance, to enthrone work, to eliminate the curse of idleness and what we perceive to be evils of a dole.

In achieving this, the church welfare program focuses on three points: prevention, temporary assistance, and rehabilitation.

You may be interested to know that more emphasis is placed on prevention than on any other aspects of the church's welfare program. Through teaching and admonition, we seek first and foremost to foster self-reliance and provident living.

Members are urged to become self-reliant by acquiring needed literacy skills; selecting suitable employment; managing their financial resources to avoid unnecessary debt and live within their means; providing appropriate reserves of food, clothing, and where possible fuel; following sound health practices and cultivating those habits that ensure social, emotional, and spiritual well-being.

These preventative measures are taught and practiced in the family. They begin, I might add, while the children are very young. They are reinforced through gospel instruction, home visits, self-help training materials, and family members counseling and working together.

We view the family as the basic unit of society, as the forerunner of welfare virtues and the first source of help in times of need. We view all forces that compromise or threaten to undermine the family as extremely dangerous. We do all we can to promote righteous, strong, and inviolable family relationships.

The church expects that individuals will do their utmost to provide for their personal welfare. Resources needed beyond those of the individual are viewed as temporary and supplementary. Permanent dependence on church or other welfare programs is discouraged except in instances of the very aged or infirm who have no other resources on which to rely.

After the individual has done everything possible to care for self, the immediate and extended family are expected to help. When family resources are no longer sufficient, the church supplies needed assistance.

Church welfare assistance is tailored to the circumstances of each individual or family. A cardinal practice is to identify and meet welfare need at the level closest to where the need exists. Hence, the local minister, a bishop, is the only officer authorized to administer church welfare assistance.

Because of his proximity to the situation, he is in the best position to determine the nature, quantity and duration of church welfare help. He adapts assistance to meet specific needs. There are no prescribed levels or complex formulas dictating what assistance is provided. This approach simplifies administrative procedures, reduces costs and helps ensure the desired results of restored self-sufficiency.

When assistance is given by the church, it may consist of food or clothing, counseling, adoption services, job training, the payment of bills, the compassionate service of neighbors and friends, or a host of other types of services needed by individuals. To this end, the church maintains an extensive system of farms, food processing and distribution facilities, social service agencies, job placement centers, and sheltered workshops.

The resources needed to maintain these services come from voluntary member donations of time, talents, and money. All members are encouraged to provide compassionate service. This service is given in personal acts of sharing as well as in church and community welfare projects. In 1986, almost 5 million such service hours were reported.

In addition, members are urged to fast—in other words, refrain from food and drink—for a day each month and to contribute a generous financial donation, or fast offering, to the church for care of the less fortunate.

For example, in 1985, church members responded to the suffering in Africa and the national fast urged by the President of the United States. Two separate fast days were held for these particular purposes, and donations exceeded $11 million. All resources needed to carry out the church welfare program come from the voluntary donations of its members.

Fundamental to the church's welfare plan is the principle that recipients work to the extent of their ability for what they receive. This principle applies regardless of the source of welfare help.

For example, if members receive assistance from a non-church agency, they are still admonished to work and earn that which they get. Work engenders independence, thrift, and self-respect.

Work can transform welfare need into industry. Where appropriate, work assignments are designed to provide experience or skills that enable the individual to become self-reliant. To the extent practical, welfare recipients help produce the goods or services needed in the program.

When unemployment or underemployment is the cause of welfare need, immediate efforts are made to help the recipient find an adequate job, thereby hastening the individual's return to self-reliance.

The church assists with only life-sustaining goods and services. There is no intent to maintain current living standards for those who need help. Individuals and families are expected to alter their standards of living and stretch their resources as far as possible in providing for their own needs.

We subscribe to the notion that we will "* * * have the poor with us always." [1] Life seems to ensure that those who cease to be poor today will be replaced by others who are in need. Seeing that individuals make the transition from being needy to being self-reliant as quickly as possible has everything to do with keeping welfare under control and manageable.

Accordingly, efforts to rehabilitate individuals begin at the first hint of welfare need. In the case of job loss or threatened job loss, local church members are called upon to help locate new employment or to assist the individual in acquiring improved skills needed in the marketplace. In 1986, for example, some 42,000 members were placed in gainful employment as a direct result of such efforts.

In the case of death or divorce, members help those affected to adjust to single-parent roles and responsibilities. In the case of an unwed mother, efforts focus on helping her care for her child or preparing for the adoption of her baby into a loving home and assisting her to return to normal living and a future happy marriage. Local church leaders work with members of the family to assure that needed ongoing support of relatives is available.

Rehabilitative efforts are aimed at helping the handicapped, the chronically ill, the institutionalized, the mentally distressed, those entangled in deviant behavior or substance abuse, and many, many others. In countless ways, resources are marshaled that help restore individuals, to the extent possible, to stable, self-reliant positions in life.

Finally, to understand the church's welfare program, one needs to have an appreciation of its basic moorings. They are spiritual, and they derive their sense of purpose from a person's love of God and fellow man. We believe that Jesus Christ is the Son of God, and that His gospel makes each of us responsible to provide for ourselves, our relatives, and those who are less fortunate.

There is no earthly force that compels members to participate in the church welfare program. Yet there are divine directives that make clear their obligations. Although it may be somewhat unusual in a setting such as this, I think it may be helpful if I were permitted to share with you, as a way of illustration, several passages which we revere as scripture.

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[1] Holy Bible, Mark 14:7.

For example, to the giver, the instruction is: "But if any provide not for his own, and specially for those of his own house, he hath denied the faith and is worse than an infidel." [2]

Further, "And now * * * for the sake of retaining a remission of your sins from day to day, that ye may walk guiltless before God, I would that ye should impart of your substance to the poor, every man according to that which he hath, such as feeding the hungry, clothing the naked, visiting the sick and administering to their relief, both spiritually and temporally, according to their wants." [3]

Instruction to the receiver is: "In the sweat of thy face shalt thou eat bread." [4]

And the following counsel from one of our church presidents seems particularly germane to this discussion today. I quote: "My experience has taught me, and it has become a principle with me, that it is never any benefit to give out and out, to man or woman, money, food, clothing, or anything else, if they are the able-bodied and can work and earn what they need, when there is anything on earth for them do. To pursue a contrary course would ruin any community in the world and make them idlers." [5]

We hope this overview of welfare service in The Church of Jesus Christ of Latter-day Saints may be of help to you. To members of the church, welfare is not just another "program," but it is a way of life, a set of values, values that are based upon love, service, work, self-reliance, giving, and being responsible for one's actions.

I thank you.

Mrs. KENNELLY. Thank you, sir.

Mr. McMullin, could you explain to me what you mean by that last quote that you just read to us?

Mr. McMULLIN. The last quote?

Mrs. KENNELLY. The last quote.

Mr. McMULLIN. From the church leader?

Mrs. KENNELLY. You, as a witness here.

Mr. McMULLIN. The very last quote that I cited was simply to give the committee a sense of the type of basis from which we begin our welfare endeavors, that basis being that we believe it is important for the individual who is in need to be given every opportunity to work and earn that which he or she is in need of.

Mrs. KENNELLY. Well, let me take this further, then. If their circumstances are such that that individual has problems getting to the point where they can have that opportunity, does that quote still hold, that one should not be given without work?

Mr. McMULLIN. No, on the contrary; what happens then is that we begin to create work opportunities that will allow the individual through his or her labor to acquire the skills to become self-sufficient.

Mrs. KENNELLY. Thank you, sir.

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[2] Holy Bible, 1 Timothy 5:8.
[3] The Book of Mormon, Mosiah 4:26.
[4] Holy Bible, Genesis 3:19.
[5] Brigham Young.

Obviously, we have a panel in front of us that are doing everything they can do, and they are here to see that we do everything we should do, and I appreciate all your testimonies.

I would like, if any of you are familiar—and I am sure some of you are—with the administration's proposal of continuing demonstration programs for 5 years, sending particular funding that we have now in the form of entitlements back to States as a form of block grants—do you think this continuation of demonstration programs and studying of the situation from the State—I was in a panel this morning like you are now, earlier this morning, where the administration complained to me that the motivation has to come from the bottom and work up, and that is what they are attempting to do.

Do you think the administration's proposal, the Up From Dependency or the GROW proposal, or extending the continuing demonstration programs, is the direction we should take, or have you acquainted yourselves with other directions we are attempting to take and can comment on those?

Ms. FLOWER. May I?

Mrs. KENNELLY. Yes.

Ms. FLOWER. We have looked at the administration's proposal from several angles. We have a few problems with some of the ideas and a few things that we like.

The idea of allowing more flexibility to the States and allowing some new ideas to come to the fore is a very good one. We would caution the committee, and anyone else that we get a chance to caution, that there should be some minimum standards on something so critical as basic survival payments, income supports. If there can be some basic agreements on eligibility and benefit levels, beyond that, there may be several other things that there can be some flexibility on. We would not have an absolute position one way or the other on that.

On the GROW proposal and some of the associated things, we like the idea that the administration is focusing more on some work opportunities and on the support systems that are needed to make those work opportunities real.

On the other hand, it seemed that all of the money was being taken from other places in the budget and focused on this population which, as we pointed out in our testimony, is only a portion of the poor families. We would be very concerned about that remaining 43 percent or so that are poor and are struggling along on these minimum-wage jobs and would then not have other helps from the government to either increase their training or get better job placements through some kind of Federal program. So we think the program should be broader.

One other problem I think we would have with that is the 6-month age of the child when the woman is required to return to work. We, like the committee, are casting about for what the proper age should be. We think 6 months is probably too low. We don't know exactly what it ought to be. We have been thinking that you don't want to have a very long period of time when a person is disconnected with the labor market if in fact that person is going to have to be the support of that family. So we want potential workers to have some continued connections with the labor market.

We would also emphasize the need for high-quality supports whenever that time occurs. One idea that has been attractive to a number of the church groups was one presented by David Elwood from Harvard, which is that, in recognition of the dual role of the single parent—the nurturer and the supporter of the family—perhaps part-time work as an option is something that makes sense during the early years of the child.

Overall, we would think the major thing should be that there be some choices available that are not now available to people who have small children. Because of the lack of child care, there is not the possibility to go to work, and if that possibility were presented, we think a number of people would take it.

Mrs. **Kennelly**. Thank you.

Mr. Conover.

Mr. **Conover**. Just very briefly, our main problem with the President's GROW program is that it focuses on mandating some responsibilities to the poor but does nothing to increase in any substantial way the opportunity to meet those mandated requirements. As long as that is the case, it seems to me a very empty kind of proposal that has perhaps some attractive wrapping around it, but when you open the box, you essentially find it empty as far as being able to deliver any resources that would, in a substantial way, help the poor to move forward, or those on welfare to exit from welfare.

The other thing is, it makes the assumption that you have to force people into these programs to get them to participate, and all the evidence is that that is certainly not true for the great majority of people.

You know, even the anecdotes that folks tell on this—I remember some anecdotes that I have heard recently about a program in San Diego which had a mandatory component, and they talked about how happy the folks were to be able to participate in that program. Well, if you look at that anecdote twice, I think what you see is that people who are on welfare grasp at any opportunity; in fact, some of the thinnest kinds of opportunities had people rushing to these programs.

And so we think the key really is to developing those opportunities on their own principles, making them available, making them comprehensive, making them fit the local situations, and all those sorts of things.

Mrs. **Kennelly**. Thank you.

Reverend.

Reverend **Bergstrom**. Just quickly, I don't think we feel very strongly about the need for demonstration projects either. We have this film which would demonstrate the need. To develop programs, you have to have funds, and I think that is going to be the ultimate decision that will be tough for Congress to make about how we put money into government programs to help people.

Mrs. **Kennelly**. Thank you, Reverend.

Mr. Bergstrom, in your testimony, you speak to the underclass. Do you remember where you spoke to the underclass?

Reverend **Bergstrom**. We did not use the word "underclass."

Mrs. Kennelly. It was Mr. Conover. I am sorry. That is who I meant. Here it is. "The most basic myth to overcome is that of the underclass. There are some individuals who fit the crudest stereotypes, and most of them are not receiving welfare benefits."

Could you share with me what your image is of the underclass?

Mr. Conover. Yes. As has been outlined in several articles in public magazines, we are looking at the poor and the black in the inner cities. That is usually the kind of focus that is at the core of what we think of as the underclass, those who are farthest away from the opportunity structures of this Nation, who are most depressed, who are, perhaps for some projected cultural reasons, farthest away from being able to take advantage of what opportunities are made available.

When you look at the total population of those in poverty, we see that that is only a very small percentage of the total population. We recognize that a great proportion of those in poverty are in the South and in the West, and the majority of those are people who are white rather than black.

We see that the great increases in poverty in the last few years have been among those who are most statistically favored, white, intact families including some with workers in them. So that is where the increase in poverty has come. We have not seen an expansion of a population that is depressed, that is sort of out of it and withdrawn.

Then the other thing that I would say, as one who has lived and worked in ghetto situations, I remember a situation where we were able to provide what was at that time, I thought, a very thin and poor and weak kind of program, and people rushed to it even under those circumstances. We had a very poor success rate according to the final statistics that we had from this program because we employed most of the people who got into that program because we simply were able to identify people who were willing to work and then move them into jobs that we were able to find.

So even without completing the training program in those years, we were able to—but I was in a city with 3 percent unemployment at the time. It is a very different thing today with 7 percent unemployment and perhaps 12 percent real unemployment, and in some working situations, 40 and 50 percent unemployment. We are asking some of the people who have the least opportunities, the least background, to jump not a small ditch but a mighty chasm today.

In those situations, it is going to be very difficult to move people who are, for a variety of reasons, the least attractive to employers into a situation where they are going to be attractive within the private sector market, and especially to do that in a way which does not recycle poverty and move a few up but then slide a few down.

It is a very difficult situation where there is a weak upward magnet, especially to jobs that pay enough so that you can support and sustain your family out of poverty, and especially when those jobs don't have any benefits with them, so that you are very fragile. That is the thing that we think about the working poor, and when you think about what it would be that would move people out of a position of despair into an engaged, responsible kind of circumstance.

When you get these minimum-wage jobs, you are still in very fragile circumstances. I could tell some more stories about that, but perhaps I will spare you my favorite anecdotes this morning unless you would like to hear my favorite stories.

Mrs. KENNELLY. Well, I bring this up because we have used the word "underclass" in these hearings that have been going on for almost 18 months, and I wonder if you disagree with me. When we use it, we often refer to the 15 percent who are the long-term welfare recipients, who are on over 8 years and use 50 percent of the funds that we have in our welfare program.

I have gotten very involved in this because it is a group I am very concerned about. It is the young mother, the single mother, single woman with a child. We have got statistics—you know, like you've got stories; I've got statistics—this person, if she is between 17 and 21 and on AFDC, we have studies that show her average reading level is sixth grade. So she is bringing up a child in a very low-income area, and that child has a mother who doesn't read very well so is not going to read to him a lot, and there are some problems as a role model.

This is where we get the generational problem of the mother doesn't go to work, and maybe that is a lot into it. Isn't that person in the underclass, because what we are finding is that 15 percent are making up a big part of our welfare load which stays on a long time, and that child, who is not going to get a chance in the American way, as we used to think of it, becomes a welfare recipient down the line?

Now, is that your basic myth, or is that there?

Mr. CONOVER. I think what we are talking about is different uses of the same term.

Mrs. KENNELLY. Well, we have been using "underclass."

Mr. CONOVER. Yes. I was speaking to what I understand, my perception of what the popular myth about the underclass is. If you want to say that there are some people—and it is true, as you suggest, statistically, that there are some people who, statistically, have a very poor chance under the current circumstances, of being able to rise from the situation that they are in. That is a statistical reality.

But the problem with using the term "underclass," in my mind, to address and to categorize and to point to that population, is that there is a presumption that they are somehow, in some fundamental way, lacking in motivation, lacking in a willingness to be responsive to opportunity. The underclass has a sort of negative stereotype about it which projects something about a lack of motivation, and that is the use of the term "underclass" that I particularly object to, because I have worked with people like that.

I just moved from Charlotte, NC. I had such a family next door to me, and I know how hard those people are striving, how eager those people are, even with the least opportunity, the least openings to them, the least preparation, the most negative experiences with many of the major institutions in our society. I know how desirous they are to move on.

Just before coming to this job, I ran a successful low-income, not-for-profit sweat equity program for housing, and I watched people who were on welfare and had been on welfare all their lives find a way to work hard to get themselves a house. They put in enormous amounts of energy when a very difficult and very small opening was made to them.

So I do not object to the statistical analysis and would point to lots of reasons why it is true that these people have limited opportunities. What I am saying is, it is not a problem of motivation and therefore does not justify a mandatory response. It justifies the opening up of opportunity.

Mrs. **Kennelly**. Then we are in total agreement on that because it is not motivation.

Mr. **Conover**. Yes, I thought we were.

Mrs. **Kennelly**. Yes. It is basic skills that are missing. And yet, because of the lack of basic skills and the lack of ability or avenues to get out of this abject poverty, we are finding we have an underclass in these United States that we never had before. A child is born and does not have the same shot that everybody else has of getting up there. It is not motivation at all; it is circumstances.

Mr. **Conover**. I agree.

Mrs. **Kennelly**. And, to me, that is an underclass, a wasted life.

Mr. **Conover**. All right. As long as we are understanding our terms, I am really in complete agreement with you about that judgment. And so the question really becomes, how do you open up those opportunities? That is, to me, the biggest thing before the committee.

Mrs. **Kennelly**. Then let me ask one more question before I get to Mr. Brown. Where do you people fall as far a mandatory requirements go? I know, in your testimony, you all alluded to it. But just give us a quick summation.

Ms. **Flower**. We have said that we think that any bridge to employment should be voluntary.

Mrs. **Kennelly**. All right.

Mr. Conover?

Mr. **Conover**. I have obviously testified totally against it.

Mrs. **Kennelly**. Reverend?

Reverend **Bergstrom**. I think I will sound evasive about this, but I think there are different approaches to people on where they are and what challenges they need. The word "mandatory" gives me probably the same reaction as it does the two previous speakers, but just to say "voluntary," I think, also flips it over too far.

I think we need to recognize all the needs of a family, the educational needs, the whole process, so that we do not make a judgment that they have to go to work and then we try to get some young mother to go to work at the expense and cost of that child. I think the working out of that is much more complicated than to say mandatory or not mandatory.

Mrs. **Kennelly**. I said that was going to be the last one, but one more, Mr. Brown.

We seem, in these hearings, to be developing a dichotomy here that there might be agreement or disagreement on mandatory as far as work goes, because there is always that problem that you are asking too much of somebody when they are trying to do everything. What about mandatory education? And we find disagreement on that. Some legislators, some congressional people are really very much in favor of mandatory education but not mandatory work. Do you see any difference there?

Ms. **Flower**. There are, of course, in many States mandatory education laws through high school or so. I guess they vary.

Mrs. **Kennelly**. But not under AFDC.

Ms. **Flower**. Not under AFDC. Without checking with my colleagues, I do not know exactly, but I think that our reaction would be that there probably should be mandatory education for people as far as the State can handle but that it should not be connected with welfare benefits.

Our reasoning would be based on those few individual cases where it just doesn't work out. We cannot quite imagine, as we sit here at the table, how it is not going to work out, but if the end result of not being able to participate in the program is that you lose your life sustenance, we think that is pretty heavy.

Mrs. **Kennelly**. All right.

Mr. **Conover**. I am basically in agreement with Ms. Flower. I could go on, but that is my basic position, too.

Reverend **Bergstrom**. I think even that term "education," there would be times when that would be at home, better done there than to say it has to be in a given institution, and so forth. So I think the whole matter of forcing anyone into these particular categories is going to bring difference of opinion, and I would hope it would be a matter of emphasis rather than that everybody would be frozen into particular categories.

Mrs. **Kennelly**. Yes, but see, what we are wrestling with is, we are getting to the point, after 18 months of hearings, that we will start writing some legislation.

Reverend **Bergstrom**. Right.

Mrs. **Kennelly**. And that is the difficult piece. We are finding that if you are not literate and you do not have a high school equivalency, you are being locked out of numerous jobs. And yet we know we are dealing with children here who happen to be also mothers.

Someone yesterday—and I got annoyed—said, "Well, you know, if you are a mother, then you automatically want to do better." Not necessarily so. You want to, maybe. But you don't have the discipline or the maturity. And so this is something that we have to wrestle with right now.

Mr. Brown.

Mr. **Brown**. I want to thank all the witnesses for coming and sharing their thoughts with us today.

Ruth, I had a question about the various church groups. I know many of them have conducted programs for low-income citizens. What kinds of church programs have you found to be the most effective?

Ms. **Flower**. That is going to be hard one for me to answer, Mr. Brown. My own experience is with the Quakers, and our own programs tend to be very informal and within our own community. I am afraid I would have to let someone from a bigger denomination answer that question, perhaps Reverend Bergstrom or Mr. Conover.

Mr. **Brown**. Keith has already talked about this aspect of programs sponsored by the Mormon Church.

Reverend **Bergstrom**. I think that is so ideal, and I envy that process in terms of the system that they have developed, and many of us have had great admiration for that over the years.

But when it comes to describing a program that seems to be effectual, we have about 350 Lutheran social service agencies across the country that have diverse and very different programs. But the concern, I think, that we find that helps them to do their work is that that is an integrated part of what the Government can do in those places, what private organizations are doing, and what the church can cooperate with, so that it is not the church coming along with its own program just to make sure it moves in and can say it has done something good. But those that are most successful become a part of that community and understand the needs.

We do this on an international basis and have found very often, where we have developed some program to go over and build windmills in some developing country and found out it was not the best thing to do, but try to find out what they found was best in terms of digging wells and pumping water, and the different ways that we learn what the situation is.

The church does not feel it has a specific way or program for every situation. I am afraid we get some pride mixed into that, I guess that is what I would like to say, and that we need to be a part of the servanthood of every community and understanding it better and then involve the people in that.

I don't want to refer just to these hearings as the way to solve all of this. But when we heard the voices of these poor people—when I was in Worcester and Springfield, MA, and we had the OEO programs, community action programs, where the people could sit at the tables with us, we began to have a better understanding of then how to develop programs in that area.

Mr. **Conover**. I would like to add just one brief note to that answer, and that is, I think the church has two specific responsibilities in this mix. One is to do a certain amount of research and development to try out new ideas. The church has a very long history of developing programs of that sort and of this kind, and homelessness is perhaps one of the most recent examples where that has been brought back before this body.

The other thing is that I think the church has some responsibility in dealing with the crisis situations where it is simply too difficult for government bodies and government organizations to tool up for a response within a 24-hour period, and the church has long had a history in that kind of emergency crisis relief.

But relative to the big dollar programs, such as AFDC, there is just no way in the world that all the private charity gathered and focused on this one need would really touch the amount that is needed in this, and government has a responsibility in society, we think, for being the body which has the ultimate responsibility in this situation for caring for the poor.

And so we also serve as advocates in this situation, asking for you to take up the parts that we think are especially important for your duties.

Mr. **Brown**. Patrick, I was intrigued—as a Congregationalist, particularly—with your testimony. Let me ask you for your thoughts on mandatory participation. Some of the testimony we have heard recommended exempting from work requirements welfare clients who are physically impaired, elderly, too young, attending school, or who have very young children to care for. Most witnesses seemed to agree, however, that able-bodied clients with older children should be required to train or work.

Do you oppose requiring work even from the able-bodied to whom a meaningful job is available?

Mr. **Conover**. I would respond in two ways to that question. First of all, what you have already discussed and what you have already put before us is the difficulty, the complex difficulty, of deciding exactly where to draw the line between able-bodied and not-so-able-bodied.

We know from the experience with legal definitions of what disability counts for in the medical community that it is very difficult many times to determine just what makes someone able to work or not able to work, especially when, in the case of the poor, many of the burdens they bear are not so visible to legal kinds of categories. So there is a bigger administrative burden there than you might just guess to start with.

The second thing is that we think that there is such a strong motivation to work by those who are able-bodied and who meet the kind of criteria that you have just suggested that maybe should be mandated; we think that there is such already clearly demonstrated strong motivation to work that if you make the opportunity available, those who are volunteers will rush to it, and those are the ones who will take best advantage of those opportunities. So it is that as much as anything.

Mr. **Brown**. In that line, and maybe this is not the place for it.

Mr. **Conover**. Sure, it is.

Mr. **Brown**. What responsibilities do welfare recipients have to society? Is there an obligation on the part of the welfare recipients? Should there be an obligation on their part in exchange for the funds they receive?

Mr. **Conover**. We are talking about the basic concept of social contract and reciprocity and these kinds of things that we have heard of.

We think, first of all, that people should be served on the basis of need, and especially when we remember that AFDC was designed in part to meet the needs of children, and that over 50 percent of those on AFDC are children, that we have an obligation to serve families if for no other reason so that children who might otherwise be penalized will nonetheless be provided those opportunities. So that is part of it.

The other thing is, yes, I think that I would, from our posture as a denomination, I think it is pretty clear that we favor work as a very important value and hold that up; that we also recognize that work is more than employment; and we do expect people to make positive contributions to our society.

But we think that the genius of America and the American experiment down the years in part is that, by golly, people are already pretty much headed in that direction.

Now, for example, child support enforcement. That is one of the mandates of support that we have no particular problem with. It is when you are taking people in a situation and saying, We know things are tough; we know the opportunities are small, et cetera, and without really opening up the doors of opportunity in a substantial way, we are going to now force you to do something because there is some basic problem that you have.

We just think that does not represent the reality that is before us and does not represent the American dream very well, which has shown that it is when people have internal rather than external expectations that they move forward to take care of themselves, to take care of their families, and to meet their social and spiritual obligations.

Mr. **Brown**. Some witnesses have suggested that welfare benefits are so high that they compete with entry-level jobs and in this way make it difficult for people to leave welfare.

Estimates seem to run somewhere in the neighborhood of $11,000 or $12,000 a year for an individual to be able to equal the after-tax income that is available from welfare programs. Obviously, there are lots of assumptions that go into these figures, and the particular figures depend on what State you live in. Have we created a system that makes it difficult for people to move away from the dependency induced by a generous welfare system.

Mr. **Conover**. Representative Downey thinks the dirty secret of welfare reform is that it is going to cost money. I think the dirty secret of welfare reform is that, as long as we have a private economic system which pays so poorly, we are not going to be able to probably provide the level of benefits and justify the level of benefits to those who are on welfare when we have a minimum wage that used to support, only 7 or 8 years ago, used to support a family of three above the level of poverty, and now a minimum-wage job falls $1,300 below what it would require.

So, yes, as long as we have this terribly weak upward magnet, as long as we have so many people who are working full time and working very hard and still sustaining families in poverty, that is a terrific and tremendous—I was going to say a cap—it is almost like a 500-pound helmet that is sitting on the system that is going to keep reform, under the best of circumstances and with the best of will that you all are demonstrating, from overcoming this problem to some extent.

Until we get not only people to work but get people back to work in situations where they can support families and where they are not threatened by a medical problem or child care, loss of a preferred slot or something like that, none of this is going to make all that much sense. So we cannot overcome that with the welfare tool.

Mr. **Brown**. Let me toss out a tough one.

Mrs. **Kennelly**. Will the gentleman yield?

Mr. **Brown**. Of course.

Mrs. **Kennelly**. You just expressed for me, Mr. Conover, what I was trying to express yesterday and could not quite get out. So I would just like to put on the record that I join with you in those remarks.

However, why I feel we should continue to go forward is, I want my young woman who is a mother to have that same chance at least to go out and compete for that minimum-wage job and in fact work overtime if that is her choice.

Mr. **Conover**. Absolutely.

Mrs. **Kennelly**. And thank you for putting that together. I am going to get the record so I can see what to say. [Laughter.]

Mr. **Conover**. I quite agree.

Mr. **Brown**. Patrick, members of the Reagan administration might observe that in the last 6 years we have created more jobs than any country in the world or any country in the history of the world in a 6-year period, and that our standard of living is higher not only than any country in the world but any country in the history of the world. Job opportunities in America for those who want to work, are better than anyplace in the world. How would you respond to that?

Mr. **Conover**. I think the United States has shown continued strength economically, though obviously there are lots of other signals that we are not doing perhaps as well as we would like to do.

One thing I would point out about the new jobs that have been generated. Senator Moynihan recently testified that 58 percent of those jobs to which you just referred, the net increase in employment, were jobs that provided $7,000 of income per year or less, and this is the reason that we have the new problem upon us of the working poor.

I am glad those $7,000-a-year jobs are there. I would not scratch one off the list. But, nonetheless, we are headed back into the arena which I suggested.

The problem before us, the problem that we are addressing, really is poverty. And when we think about it as the problem of welfare, I think we have just slipped a stitch, so to speak. When we develop the mechanisms to overcome more poverty, yes, I think there is going to be a— there is, as we used to say, a bottled-up engine or volcano that will rise to that opportunity, just as when you bottle up a consumer need and you make some more money available in the system, there is a rise that way.

But if you focus on the problem of poverty and then think, now, what can welfare do, what is the role of welfare in helping to address poverty?, well, it is to sustain people as much as we can while they are still burdened. And then, in addition to the providing of those benefits, to scheme about ways and to work with other agencies to do the employment, to do the education, to do the training which will be those antipoverty tools which should be justified on their own principles—you know, what makes good education, not just because it serves welfare; what makes good training, not just to apply to welfare mothers; what makes good employment-related programs, not just to serve welfare mothers.

When we develop those antipoverty programs on their own grounds and perhaps give some special access to people on welfare, then I think you have got the beginning mix of a strategy, if you please, which will do the best you can with welfare to solve the problems that welfare can solve and then to do the anti-poverty job as best you can.

Mr. Gonzalez, in a hearing recently, was talking about the problem of having so many of these programs in the same community. In some cases you may have three or four education, training, and job kinds of components competing for the same private sector jobs, and with all the duplication of bureaucracy and all these other things. We think there needs to be some better coordination of this.

I know that there was recent discussion in this committee about jurisdictional problems with other committees. I have nothing to advise you about jurisdiction, but I would like to suggest to you that somehow you do need to address this question of how you get the very best out of the education, training, work-related component and justified on their own principles and serving need and fit to local situations, that you get the very best of that as well as getting something in terms of the benefits side.

Mr. **Brown**. Patrick, I appreciate that. I want to thank you for your comments. I agree with you on at least one thing; even the Lord would have difficulty sorting out and negotiating committee jurisdictions in the U.S. Congress.

I want to commend Keith for his wonderful statement. Frankly, it really is an inspiration, I think, to everybody to see the fine work your church does.

I was wondering, Keith, if there is anything the Congress ought to be considering that could help churches conduct their antipoverty work.

Mr. **McMullin**. I have a great appreciation for men and women such as those represented here in this collegial setting on this panel, who are engaged in seeking solutions to the kinds of challenges facing the poor and the needy.

I believe, however, that more can be done to foster cooperative effort between the religious community and civic and governmental circles. The problems have been talked about in terms of poverty versus welfare. In my view, the problems that are confronting us are the problems that people have to deal with, and the churches, as one example, are probably closest to that population. They are in a posture to foster sound values. They are in a posture to begin to promote the kind of stability that is so essential for ultimate recovery from an impoverished state.

Therefore, I would think, in summation, that in all of your deliberations, what could be done to foster that type of cooperative effort in a constructive way would be useful.

I believe, further, that anything that can be done, first, to strengthen the basic unit of society, the family, second, to make certain that father, mother—and where there is a single parent, then the parent—and children can work out their problems jointly, and third, to engage the extended family in that relief effort would be most beneficial in your deliberations.

I think the church and other voluntary civic groups can be quite useful in that undertaking.

So, for whatever that viewpoint is worth, I offer it to you and hope that it is of some value.

Mrs. **Kennelly**. Reverend.

Reverend **Bergstrom**. I just want to underscore that. It really was the direction I wanted to go in saying that I think, as we have responded back and forth here, that is really what we were trying to say about interaction between government and the church. The church does not come damning the government for doing evil things or acting as if it is holy.

But there are areas where we do have knowledge and experience, and I think we lean in the direction that more people are not going to admit they need help rather than that there are a lot of people who are going to grab onto everything that is available, and we can share those experiences. So I think that that would take care of much of the mandatory questions if we would be able to help provide the support.

And then, particularly in the increase in this, although there are new jobs offered, we Lutherans are strong in the Midwest, and it is disastrous there in our small towns because of the farm problem, and in areas like Pittsburgh and so forth. So we can balance and help to see those things together.

My example would be immigration refugee issues. I think that is one place where the government and church groups have particularly been helpful to one another because the churches know what the needs are and what people need to leave areas and to help balance those. Sometimes that gets into warm discussions about sanctuary movements, but there are other areas where that can be worked out for the benefit of people. I think maybe if we balanced some things this morning, it might be helpful to all of us.

Mrs. KENNELLY. Thank you all for your excellent testimony.

I am going to adjourn the hearing now until 10 o'clock on Friday morning. Thank you for coming.

[Whereupon, at 12:10 p.m., the subcommittee adjourned, to reconvene at 10 a.m., Friday, March 13, 1987.]

WELFARE REFORM

FRIDAY, MARCH 13, 1987

House of Representatives,
Committee on Ways and Means,
Subcommittee on Public Assistance and
Unemployment Compensation,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:20 a.m., in room B-318, Rayburn House Office Building, Hon. Brian J. Donnelly presiding.

Mr. **Donnelly**. Good morning. The Subcommittee on Public Assistance and Unemployment Compensation will come to order.

Today, the subcommittee continues its hearings on the subject of welfare reform. In the past 4 weeks, the subcommittee has heard testimony on this issue from Members of Congress, several advocacy groups, religious organizations, and researchers on the subject of poverty and welfare dependency.

Today, those hearings continue with witnesses from the American Enterprise Institute, the Brookings Institution, the AFL-CIO, and county officials from Ohio and California.

It is clear that the House intends to move forward rapidly with welfare reform legislation. Under the capable leadership of Chairman Ford, we hope that a consensus can emerge on the best way to address this problem.

The subcommittee looks forward to this morning's testimony, so that we can be ceratin that we are approaching this reform in the proper direction.

The Chair would urge all witnesses to summarize their statements, and assures the witnesses that their full statements will appear in the record of today's hearing.

Let me ask the first panel to come forward. The first panel is Douglas Besharov. He is a resident scholar at the American Enterprise Institute. And Robert Reischauer, a senior fellow with the Brookings Institute. Good morning, gentlemen, and my apologies for being late. Please proceed.

STATEMENT OF DOUGLAS BESHAROV, RESIDENT SCHOLAR, AMERICAN ENTERPRISE INSTITUTE FOR PUBLIC POLICY RESEARCH, ON BEHALF OF THE WORKING SEMINAR ON THE FAMILY AND AMERICAN WELFARE POLICY

Mr. **Besharov**. Mr. Donnelly, my name is Douglas Besharov. I am a resident scholar at AEI. With me is Bob Reischauer of the Brookings Institution.

We represent the Working Seminar on the Family and American Welfare Policy.

Mr. Novak, its chairman, is unfortunately in California this week and could not be here.

The Working Seminar is a temporary, ad hoc grouping of philosophically diverse scholars and former Government officials.

Our membership ranges from John Cogan the Hoover Institution, Charles Murray, author of "Losing Ground," Stanford Ross who was Social Security Administrator under President Carter, and Alice Rivlin of the Brookings Institution.

In the prepared statement that I submitted to the committee, there is a full list of the membership.

In the past year we commissioned a series of papers, we held meetings, we had the benefit of numerous other welfare reform proposals, and we issued our own report called "The Community For Self-Reliance." The committee has copies, and I should mention that it is going to be published as a book later this week. Our recommendations center around the problem of long-term welfare dependency. About half the people who are on AFDC are off within 4 years, and we did not concentrate on those people.

We focused our attention on the other half who are on welfare for an average of 7 years. Some 25 percent are on welfare for more than 10 years. We called those people the behaviorally dependent and we made a series of recommendations about how public and private institutions should respond to their needs, to help break their cycle of dependency.

The centerpiece of our recommendations is like the recommendations of almost every other group that you have heard, the concept of obligation. The concept that individuals receiving public benefits have an obligation to try, through education, work, and other efforts, to become as self-sufficient as they possibly can, and that government's role should be to assist in those efforts.

And we, like so many other groups, endorse the concept of workfare: education, job training, and mandatory work. We think that young mothers should be required to finish high school.

We, by the way, commissioned a research study by Charles Murray who reanalyzed the PSID data from the University of Michigan, and he found that there were three simple things that statistically prevented someone from being poor. The first was, finish high school. The second was get married and stay married, and the third was, get a job, however humble.

In our prepared statement I give some of the statistics. The most striking one to me is that there is less than a 1 percent chance of being poor in this country if you finish high school.

We are not talking about college. We are talking about high school. Now, it is easy to say that. There are many reasons why people do not finish high school, and we just cannot just give everyone a high school diploma. There is a certain self-selection going on. But it is an important lesson to learn.

We also endorse the concept that young mothers should work, and even mothers with very young children. We do that because, from the evidence, we are concerned that if you wait 3, 4, 5, or 6 years before imposing an education or work requirement on a mother on AFDC, it may be too late. We believe that she has to, from the very beginning, realize that schooling and work are important for her benefit.

The current consensus about the need to impose obligation within our welfare system is, we think, an historic opportunity, and we commend your efforts to implement that consensus. But we do warn, as a bipartisan group of former officials from three administrations, that there should not be excessive eagerness to move into any particular program. Reform should be attempted with great care.

While we strongly endorse the concept of workfare, we would point out, for your consideration, that past Federal work programs have had only mixed success, and that even the new wave of experimental work fair programs have reported only modest success.

In the words of a January GAO report:

> Evaluations of work programs have shown modest positive effects on employment and earnings of participants, but wages were often insufficient to boost participants off welfare. Thus, programs should not be expected to produce massive reductions in welfare roles.

In short, we support the concept of workfare, but not because we think it will necessarily eradicate the welfare problem in this country, but because it is an important signal for government to send to those whom we have called the behaviorally dependent.

At this point, Mr. Chairman, let me turn to Mr. Reischauer.

[The statement of Mr. Besharov follows:]

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STATEMENT OF

THE WORKING SEMINAR ON THE FAMILY AND AMERICAN WELFARE POLICY*

BEFORE THE

SUBCOMMITTEE ON PUBLIC ASSISTANCE HOUSE WAYS AND MEANS COMMITTEE

March 13, 1987

Two centuries ago, a French immigrant, J. Hector St. John de Crevecoeur, wrote of the new American settler, "From involuntary idleness, servile dependence, penury, and useless labor, he has passed to toils of a very different nature, rewarded by ample subsistence." And so, for most Americans, it remains today. A resident of the United States can virtually guarantee a life free from poverty by accomplishing only three things: completing high school, staying in the labor force, and establishing a family. Such, still, are the blessings of this land.

Yet, a numerically small but significant group of our fellow countrymen fails to partake of this bounty. They are poor in means, but it is not their poverty that is most distressing. They often depend upon public assistance, but it is not their dependency as such that is worrisome. (The elderly and the disabled also rely on income supports, but arouse no comparable concern.) They are concentrated in large and generally prosperous cities, but it is not where they are located that really matters.

Rather, what is most important is their isolation from American society, their inability to acquire the skills and attitudes essential for functioning successfully in American life, their weakened morale and lack of self-esteem. Without these, their chances of attaining the rewards of self-reliance that constitute the birthright of all Americans are slim. They remain locked, instead, in a behavioral dependency that belies their status as American citizens.

In keeping with another national tradition, Americans of all political and philosophical persuasions have sought ways to help this group out of its plight. We have given generously of our own wealth, through both public and private channels. We have invented new methods for enveloping them in the American ethos. We have reached out and involved ourselves in their lives. We have had some successes; we have also had some failures. And some of what we have done may have hurt more than helped. Yet, we remain ready to try again.

As the nation prepared to begin another effort, the Working Seminar on the Family and American Welfare Policy was created to enable a philosophically diverse group of experts to study the problem of behavioral dependency and make recommendations that would be useful to policy-makers and interested members of the public. Chaired by Michael Novak of the American Enterprise Institute, the group comprises experts as varied as John Cogan of the Hoover Institution (Vice Chairman); Charles Murray, author of Losing Ground; Stanford Ross, Social Security

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*The Working Seminar is sponsored by the Institute for Family Studies of Marquette University and is supported by grants from the Lynde and Harry Bradley Foundation and the John M. Olin Foundation. The Charles Stewart Mott Foundation also provides support.

The American Enterprise Institute is a nonpartisan, nonprofit, research and educational institution, which itself takes no position on public policy issues.

Commissioner under President Carter; and Alice Rivlin of the Brookings Institution. (A list of the Seminar's members is attached.)

In the past year, we have commissioned nearly a dozen research papers, held a half-dozen meetings, and engaged in numerous informal discussions with knowledgeable observers from around the country. We have also had the benefit of reviewing the reports and conclusions of several other groups that have examined this problem from different vantage points. In our own report, entitled A Community of Self-Reliance: The New Consensus on Family and Welfare, we seek to distill the essence of this now considerable body of information and ideas to construct a set of principles that we believe ought to guide a new round of welfare reform. (We are submitting a copy of the report for your consideration.)**

The starting point for all of these is the recognition that low income and behavioral dependency are two quite different problems and require different remedies. Approximately 33 million Americans are considered poor, using the official Census Bureau measure. (A broader measure, including in-kind benefits such as Food Stamps, would reduce this to roughly 22 million.) But no more (and probably much less) than one-third of that number (many of whom are children, living in families headed by an adult) are likely to present the kinds of problems that seriously diminish the likelihood of becoming self-reliant. For the rest, an expanding economy, improvements in income support and tax policies, and other adjustments in our current ways of helping the poor should be sufficient to enable them to participate more fully in American life, if they wish to do so.

Our report describes this new form of poverty--"behavioral dependency"--which is caused not by low income alone, but by a growing inability to cope. Many people stay dependent on welfare through their own behaviors, such as dropping out of school, having children out of wedlock, and failing to work. The traditional solution of economic growth plus income supplements is not working well enough to diminish their dependency.

Our report details changes in family structure and labor force participation that are the chief causes of behavioral dependency. Among its findings are that:

o The concentration of black and Hispanic poor in high-poverty census tracts in the nation's 100 largest cities (now totaling some 4.1 million persons) grew almost 60 percent from 1970 to 1980.

o In such locations, female-headed families outnumber married families 3 to 1, and the labor force participation rates of males are far below those of twenty-five years ago.

o Fewer than 7 percent of intact, married couple families have incomes below the official poverty line, but 34 percent of female-headed families are poor and they constitute the fastest growing segment of the poor since 1965.

o The 3.4 million mothers on AFDC work much less than nonpoor mothers. Forty percent of nonpoor mothers with children under 18 worked full time for at least 40 weeks during 1984, as opposed to only 9 percent of AFDC mothers.

o Among the 7 million children on Aid to Dependent Children (in 1983), 46 percent were born out of wedlock.

**The full report will be available soon as a book from AEI at 4720 Boston Way, Lanham, MD 20706.

o Children born out of wedlock, regardless of race or age of mother, are more likely to be low birthweight, to drop out of school, and to themselves have children out of wedlock.

o Only 13 percent of the working-age poor report as their reason for being unemployed that jobs are unavailable.

o The labor force participation of young black males ages 16-24 has fallen dramatically since 1962, from 59 percent to 44 percent.

o The very poor, especially in urban areas, are twice as likely to suffer from robberies or burglaries as the nonpoor.

A study commissioned by the Seminar concluded: "Those who do the following three simple things are unlikely to stay long in poverty: (1) complete high school; (2) get married and stay married; and (3) stay employed at a job, any job, even at first at the minimum wage." Based on the computer tapes of the University of Michigan's Panel Study of Income Dynamics, it found that:

o Of all men ages 20-64 with a high school education, only six-tenths of 1 percent were in poverty in 1970. For blacks, only 4.7 percent of black male heads of household with just a high school education were in poverty or near poverty by 1980.

Providing income supports for persons of low income is relatively straightforward, but helping the dependent to adopt self-reliant behaviors is far more difficult. Behavioral dependency is so rooted in personal behaviors that it can be overcome only by the personal involvement of all Americans, and all institutions of American society, not solely by government.

We therefore make a series of recommendations on how religious institutions, schools, the media, and neighborhood and professional associations can become involved in responding to the plague of dependency. At every level, those who help to shape the national ethos must help recreate our two-sided ideal of community and self-reliance.

There is a common idea which should serve as the basis for the efforts of all these institutions. It is the concept of obligation. No person should be involuntarily poor without others coming to his or her assistance. No able adult should be allowed voluntarily to take from the common good, without also contributing to it. Parents should be expected to support their children; children should be expected to prepare themselves for becoming self-reliant adults. The mass media, religious bodies, voluntary groups, schools, law enforcement authorities and other institutions important in the lives of the poor should assert standards of conduct conducive to avoiding dependency and expect that they be adhered to. When obligations are not met, the consequences should be felt, except where harm might befall innocents.

In other words, the problem of behavioral dependency requires us to go beyond questions of income in order to attend to questions concerning the way people organize their lives. What is distinctive about behavioral dependency is its moral or attitudinal component. It is not enough for the makers of public policy to attend to externalities and public arrangements, without also being aware of the ways in which policy impinges -- or fails to impinge -- on personal and social values. Private institutions likewise have a responsibility to help shape an ethos favorable to those of the poor seeking to practice the traditional disciplines by which Americans have long bettered their own conditions and those of their families. By emphasizing obligations, society can help inculcate and reinforce the values and habits essential to escaping poverty.

Nevertheless, government policy plays a crucial role: it sets goals for citizens and incites efforts. Therefore, our report also makes major recommendations for government action. Our report argues that it has been a mistake to offer welfare benefits without imposing on recipients the same obligations faced by other citizens, to try to become self-sufficient through education, work, and responsible family behavior.

In addition, it can help restore self-respect to the poor. Often in the past, programs designed to help persons of low income have offered benefits without imposing any duties in return. This is to treat them as less than full citizens. To hold all people responsible, as befits their abilities, for acquiring those skills and competencies necessary to self-reliance is only just. And while many may need some assistance, to hold those on welfare personally responsible, too, is no more than is asked of other citizens. And much more than is expected of clients. Such a change in self-image is indispensable for reducing behavioral dependency.

For developing a sense of personal responsibility, for transmitting social values and habits, for providing aid and comfort, no institution is as important as the family. Indeed, the problem of behavioral dependency is largely (though not entirely) one of the family. Eighty percent of the poor live in families; sixty percent live in families with children under eighteen; of the latter, half are headed by a single parent. Such families are doubly disadvantaged; they often lack earning power sufficient to make good use of the economic opportunities available to them and some are also short on the social resources necessary to instill the skills for self-reliance in their members. Misguided public policies and activities by private groups have, as well, sometimes increased more than they have lightened the burdens such families face.

Hence, the crucible for the next round at welfare reform must be the family. All our efforts should be directed toward reducing the number of single-parent families, or for those that are created, insisting that adequate support -- educational and nurturing as well as financial -- be maintained. To be sure, twenty-five years of experience have demonstrated that these goals are easier proclaimed than achieved. But it is essential to continue proclaiming them, and trying to realize them, through both public and private efforts, if the challenge of behavioral dependency is to be met.

To that end, we offer a number of specific recommendations. They are neither earth-shattering nor unique. We do not believe there is a magic answer, a simple but as yet undiscovered solution, to the problem we face. (The closest, the foundation for all else, is economic growth, but even it is not sufficient to deal with the kind of dependency that concerns us.) Rather, we think the best hope lies in mobilizing an across-the-board effort, built on the following principles:

I. The home environment for young children in impoverished families should be the primary location for preventing future dependency. Parental responsibility for the support of children should be reinforced; political and administrative pressure should be brought to bear to improve the level of child support enforcement. The fathers of out of wedlock children should be identified through mandatory paternity findings. Voluntary associations should help young mothers through classes in child care and child education, and other efforts that bring these mothers out of isolation, in social settings that provide child-care and instruction.

In regard to teenage mothers, welfare policy should not confuse their legal status as parents with their physical and emotional standing, which may be less than adult. Consequently, unless there is a finding that their safety so requires, welfare benefits should not be paid to recipients under 18 living in independent households.

Child abuse and neglect are serious national problems. However, there is a tendency to treat the symptoms of poverty as a form of "child neglect." A large number of poor children now being placed in foster care could be safely left with their parents.

II. Schools should impose high standards of achievement, behavior and responsibility on all students. Communities should be encouraged and assisted in setting high standards for their schools, recognizing that the key factors are: strong principals, an orderly but not rigid school atmosphere, a schoolwide commitment of resources to and focus on basic skills; a highly visible expectation that every child can learn; and frequent monitoring of the performance of every student.

Fear of lawsuits claiming the violation of "student rights" has deprived some school officials of a spirit of initiative and led others to take the course of least resistance, for example by not enforcing standards of behavior that they know have been violated. Federal law should be amended so that, within appropriate limits, principals have greater good-faith discretion in setting and enforcing schoolwide standards of behavior.

Parental involvement in schooling should be increased, including, perhaps, by giving parents a greater measure of choice regarding which public schools their children attend. Some members of the Working Seminar favor a voucher or an open enrollment plan; others doubt the practicality of such plans. All agree in seeking ways to give poor parents more of the flexibility and freedom others already have, and to make the public schools more accountable for their performance among the poor.

III. The rights of the poor to integrity of life, limb and property should receive equal protection under the law. To reduce the scourge of crime in the communities of the poor, innovative methods of policing should be introduced, court procedures tightened, and the illegal drug trade better controlled. Standards of conduct in public housing should be enforced, and volunteer efforts, such as neighborhood associations, encouraged.

IV. Since voluntary associations have a public character and public responsibilities, they should focus their power on reducing behavioral dependency. The mass media should help nourish a moral environment in which the habits crucial to exiting from poverty are reinforced, religious institutions should challenge the poor and empower them through spiritual determination, inner strength, and community involvement, and other voluntary groups should employ their own special skills and resources to invent new ways of coming to the aid of the poor and dependent.

V. Welfare recipients should be required to take part in work (or time-limited training programs) as a condition of receiving benefits. Young mothers should be required to complete high school (or its equivalent) and prepare themselves for future employment. Older mothers with previous work experience should be expected to find work in the private sector or (as a last resort) to accept assignment in the public sector. Those involved in work programs, whether staff or participants, should be expected to regard every job, even part-time and at minimum wage, as an obligation to society, as important to future work experience, and as an occasion for self-development.

VI. The implementation of work programs should move forward cautiously and in graduated steps. Programs should neither be massive nor designed for swift results but for steady progress in increasing the share of the employable engaged in constructive work. States and localities should have a financial incentive to reap the benefits of the savings gained by moving the dependent from passive recipiency to productive work.

VII. Cash benefits should be transitional in nature. After a specific time limit (such as two years), a recipient of AFDC would be required, as a condition of further assistance, either to find employment or to accept a public job.

VIII. Clear and fair sanctions should be imposed on able recipients of benefits who fail to work without good cause (such as physical or mental disability). The vast array of rules and procedures that have grown up around access to public assistance programs--frequently as the result of judicial action--must be critically reexamined. Some rulings seek onesidedly to protect the rights of recipients to benefits, without giving due emphasis to the obligations that recipients have to the rest of society, including the duty to seek to become self-reliant.

IX. The working poor should not be taxed into poverty. State and local income taxes should be adjusted to lift their burdens on the working poor. Expansion of the Earned Income Tax Credit to offset more of the burden of federal payroll taxes should be carefully examined.

X. In the administration of welfare, the principle of federalism should be maintained, but policies should be adjusted to emphasize state and local innovation. State and local governments should be given great latitude to experiment with methods of reducing poverty and dependency. Federal rules and regulations should be reviewed to be sure that these do not unnecessarily complicate or limit state and local initiatives. Standards for assistance to the poor should reflect local living conditions.

These recommendations do not contain the specifics that might be required for a legislative proposal or administrative action. In our view, such details must inevitably be worked out pragmatically, through the give-and-take of the political process, where the ideal yields to the realistic. While we would be eager to discuss legislative changes with the committee, far be it for us to try to make such judgments in advance and in any case, there are already enough specific proposals, bills and reform plans before the public that another one would only add to the confusion. It is urgent that the nation act, not lose its way in the forest of technicalities which have too often entered into discussions of welfare policy in the recent past. We hope the principles we have set forth will serve to identify the crucial issues with which all serious initiatives should deal and be a bipartisan standard by which to judge how well they are likely to work.

Our group views the present consensus about the need to impose obligations on welfare recipients as a historic opportunity to reduce behavioral dependency. But we warn against excessive eagerness to embrace workfare and similar programs as a panacea to welfare dependency. Past federal job training programs have not had impressive results and more recent workfare experiments have reported only modest success.

We recommend a step-by-step approach to workfare, securing sound successes and avoiding over-promising and disillusionment. Programs should be neither massive nor designed for swift results but for steady progress in increasing the proportions of the employable engaged in constructive work.

It is important to emphasize that our report is not only the work of a group of experts on welfare policy, but of a bipartisan group, whose membership ranges broadly across the ideological spectrum of American politics. When we first came together, we were not sure that we would be able to produce a consensus statement. However, we soon discovered that our views on the nature of the problem that had to be addressed were surprisingly similar. Moreover, in the course of our deliberations, a remarkable process of accommodation began to occur. Those who are more conservative in outlook recognized the need here for a more extensive and permanent role for government than they might otherwise prefer, while those who are more liberal came to accept the need for both public and private agencies to insist on obligations and standards of conduct in return for benefits. Ideology gave way to compromise, as people of good will strove to deal with the urgent problems at hand. In short, the "center" appeared--and held.

We trust this is a good omen for the new round of welfare reform efforts that has now begun--and for American politics as a whole.

Working Seminar on the Family and American Welfare Policy

Michael Novak (Chairman), George Frederick Jewett Scholar in Religion and Public Policy, and Director of Social and Political Studies at the American Enterprise Institute.

John Cogan (Vice Chairman), Principal Associate Director, Hoover Institution; former Associate Director for Human Resources, Office of Management and Budget.

Blanche Bernstein, consultant on social welfare policy; former Commissioner of the NYC Human Resources Administration; and author of Saving a Generation.

Douglas J. Besharov, Resident Scholar, American Enterprise Institute; former Director of the National Center on Child Abuse and Neglect.

Barbara Blum, President, Foundation for Child Development; past President, American Public Welfare Association (1985-1986); former commissioner of the NYS Department of Social Services.

Allan Carlson, President, Rockford Institute; author of numerous essays on the family, welfare and culture.

Michael Horowitz, Partner, Dickstein, Shapiro & Morin; former Counsel to the Director of the Office of Management and Budget.

S. Anna Kondratas, former Schultz Fellow for Health and Urban Affairs, Heritage Foundation; coauthor of Beyond Welfarism.*

Leslie Lenkowsky, President, Institute for Educational Affairs; author of Politics, Economics and Welfare Reform.

Glenn C. Loury, Professor of Political Economy, Kennedy School of Government, Harvard University; author of Free at Last? Racial Advocacy In the Post-Civil Rights Era.

Lawrence Mead, Professor of Politics, NYU; author of Beyond Entitlement.

Donald Moran, Vice President, ICF Incorporated; former Executive Associate Director, Office of Management and Budget.

Charles Murray, Fellow, Manhattan Institute; author of Losing Ground: American Social Policy 1950-1980.

Richard P. Nathan, Professor of Public and International Affairs, Woodrow Wilson School, Princeton University; Chairman, Manpower Demonstation Research Corporation.

Richard J. Neuhaus, Director, Center on Religion and Society; author of To Empower People.

Frank D. Raines, General Partner, Lazard Freres; former member of the White House Domestic Council staff.

Robert D. Reischauer, Senior Fellow, Brookings Institution; former Deputy Director, Congressional Budget Office.

Alice M. Rivlin, Director, Economic Studies, The Brookings Institution; former Director, Congressional Budget Office.

Stanford Ross, Partner, Arnold and Porter; former Commissioner of the Social Security Administration.

Michael Stern, Vice President, R. Duffy Wall & Associates; former Staff Director, Senate Finance Committee.

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* Served until her recent government appointment.

Mr. **Donnelly**. Mr. Reischauer, please.

STATEMENT OF ROBERT D. REISCHAUER, SENIOR FELLOW, BROOKINGS INSTITUTION, ON BEHALF OF THE WORKING SEMINAR ON THE FAMILY AND AMERICAN WELFARE POLICY

Mr. **Reischauer**. Thank you, Mr. Donnelly, and members of the subcommittee. I certainly appreciate the opportunity to appear before you as you consider issues of welfare reform.

If the experience of the Working Seminar on the Family and American Welfare Policy is any guide, we are at one of those points in our history when a significant redirection of policy might be feasible.

The membership of this seminar included policy experts who had quite different philosophical, ideological, and political beliefs. Nevertheless, we were able to agree on the basic shortcomings of our current welfare system, and to reach broad consensus on the directions in which we think future policy should move. To be sure, we disagreed among ourselves on many specifics, but these differences were ones that could have been worked out had we had more time, or had we been responsible for formulating national policy.

The degree of consensus reached by the seminar would not have been possible a decade or two ago, or even 5 years ago. In the past, many conservatives seemed only to be interested in scaling back government, and in saving money by throwing undeserving recipients off the rolls. Many liberals, on the other hand, seemed to feel that more was always better, and that the imposition of any obligations on recipients represented an unwarranted infringement of individual freedom.

The debate is more mature today. Virtually everyone has accepted the fact that government has a major responsibility to provide some form of assistance to those who are in need. Few think welfare rolls are harboring large numbers of cheaters or that recipients are living the good life. Similarly, most now recognize that it may not be in the best interests of many needy recipients simply to provide them with more cash assistance. If we give the young single mother nothing but a bigger welfare check, more than likely we are condemning her to a life of dependency. However, if we encourage or require her to continue her schooling, participate in training, or accept job search assistance, she will have a greater chance of achieving independence and the self-respect that comes with it.

The consensus that emerged in the seminar, and the consensus that seems to be emerging in the nation at large is centered around four broad propositions. The first of these is that for the nonaged and nondisabled, welfare should involve mutual obligations. It is the responsibility of society to provide an adequate level of income to those in need, but it is the responsibility of the recipient of such assistance to participate in activities that can lead to increased self-sufficiency. For some, this might mean schooling; for others, it could include job training, job search, supported work or community work experience.

In some parts of the country, we are clearly falling far short of providing both adequate levels of assistance, and the supportive services that recipients need if they are to participate in the programs designed to enhance their employability. Furthermore, with the exception of a few States, we are clearly not asking enough of recipients in return.

The second proposition in the emerging consensus is that parents should provide for their children to the best of their ability, whether or not their children live with them. The steps that Congress has taken to strengthen the child support enforcement program are concrete manifestations of this proposition. However, more can be done to encourage innovative State policies such as those being implemented by the State of Wisconsin. In addition we need to do a better job establishing the paternity of children who end up on the welfare rolls.

The third proposition that has become widely accepted is that, wherever possible, the low-income population should be assisted through nonwelfare mechanisms. Many who are currently working, and many AFDC recipients whom we expect to place in jobs through the work welfare initiatives that many States are implementing now, cannot earn enough to lift their families out of poverty. Large families have a particularly difficult problem because wages are related to a worker's skills and productivity, not to the number of dependents the worker must support.

We need to adopt policies to assist families that are trying to support themselves but are falling short. The earned income tax credit is a nonwelfare related mechanism to supplement the earnings of these families in a nonintrusive way. If the EITC were increased by 4 percentage points for each child in a family, the incomes of the poor working families would be raised in accordance with the family's work effort and its needs. I have a detailed description of such a proposal that I would like to submit for the record of these hearings.

A fourth proposition that has won widespread acceptance is that the State should be given greater latitude in designing and implementing programs which will encourage increased self-sufficiency in the welfare population. For three reasons, such flexibility makes sense. First, conditions are not the same throughout this nation. The characteristics of Portland's case load do not resemble those of Newark. Economic conditions vary significantly between Boston and Houston, and community values and attitudes in New York and Salt Lake City are not the same. In a land of such diversity, a single national program will prove to be inappropriate in some areas. Second, we simply do not know the best way to encourage self-sufficiency among welfare recipients. Lacking firm knowledge, experimentation is the most sensible approach. And third, State agencies are better able than they were a few decades ago to pursue policies that meet the needs of all their clients in a professional and a nondiscriminatory fashion.

The emerging national consensus on welfare issues provides this subcommittee with a unique opportunity to formulate policy in an environment free of the ideological rancor of the past. The challenge will be to develop policies that significantly improve the existing system but remain within the constraints created by our values, our diversity, and the budget difficulties that the nation faces. Thank you.

[An attachment to the statement of Mr. Reischauer follows:]

A PROPOSAL TO VARY THE EARNED INCOME TAX CREDIT BY FAMILY SIZE

Robert D. Reischauer*
Senior Fellow
The Brookings Institution

Presented to the
Subcommittee on Public Assistance and Unemployment Compensation
Committee on Ways and Means
U.S. House of Representatives

March 13, 1987

The Earned Income Tax Credit (EITC) offers a mechanism to supplement the wages of low-income working families with dependent children in a manner that is non-intrusive and does not require the creation of a complex new program structure. If the EITC were adjusted according to family size, the earnings of low-income families could be supplemented in accordance with their varying needs in a way that rewarded work effort, promoted family stability, and was not linked to the welfare system.

When the modifications of the Tax Reform Act of 1986 are fully implemented in 1988, the EITC will provide families with dependent children a 14 percent credit on their earnings up to $6,210.[1] (See pages A-2 to A-11 for a description of the current EITC.) The maximum credit of $869 will be reduced by $0.10 for every dollar of income the family has over $9,780. Thus, families will receive a credit until their incomes exceed $18,470. If the credit is larger than the family's tax liability, the excess will be paid to the family in the form of a refund.

In effect, the EITC is an earnings supplement for very low-income families with children because such families do not have tax liabilities under the Tax Reform Act of 1986 and, therefore, will receive their EITC as a refund. It will be a strong inducement to those holding low-wage, part-time jobs. For example, a single mother who takes a $4.00 per hour job will receive from the EITC an extra $0.56 per hour for each hour that she works up to 1552 hours a year; this is roughly three-quarters time.

However, as currently structured, the assistance provided by the EITC is smaller relative to the income needs of large families than it is for small families. This is the case because the credit does not vary by family size although the amount needed to keep a family out of poverty rises as family size increases. Thus, a single mother with one child who earns just enough to reach the poverty threshold will get an EITC credit of $869 in 1988, while a mother of four who earns just enough to bring her family's income up to the poverty line will get a credit of less than half that amount. For larger families with poverty-level earnings, the EITC does not even offset the social security taxes the worker must pay (see pages A-4 to A-7).

If the EITC were modified to provide larger credits for families with greater needs, these inequities would be reduced, the tax system would be more effective at reducing poverty among the working population, and the welfare-dependent population would have a stronger incentive to enter the labor force.

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*The views expressed herein are the author's own and should not be attributed to the staff or trustees of the Brookings Institution.

[1] All of the figures for 1988 are estimates based on assumed rates of inflation.

One straightforward method of adjusting the EITC by family size would be to increase the credit rate according to the number of dependent children in the family. The current rate of 14 percent could be maintained for families with one child, and four percentage points could be added for each additional child. Thus, a family with two children would receive a credit of 18 percent; a family with 3 children a credit of 22 percent; and a family of four or more children a credit of 26 percent (see pages A-12 to A-21 for a description of this alternative).

This modification would add roughly $250 per child to the maximum credit that a family could receive. It would ensure that, in virtually all cases, the EITC would offset the social security taxes that poor families with children are required to pay. It would also substantially increase the likelihood that a welfare mother with several children could earn enough from a wage, supplemented by the EITC, to leave the welfare system.

In an efficient market economy such as ours, workers are paid according to their productivity, not according to the numbers of mouths they must feed. For those with positive tax liabilities, we rely on the personal exemption provision in the tax code to ensure that large families have more disposable income than small families with equal pre-tax incomes. In 1988, this exemption will be worth $292.50 per child for most families. A family with two children will pay $292.50 less in federal taxes and, therefore, have that much more income to spend on food, clothing, and other necessities than the family who earns the same income but has only one child. By adjusting the EITC by family size, this same principle can be extended to working parents who do not earn enough to owe federal income taxes.

Such a reform would not only help millions of the nation's working poor, but would also provide a greater incentive for welfare recipients to work.

RECENT SUPPORT FOR VARYING THE EITC BY FAMILY SIZE

"We also recommend that the EITC be amended to increase [illegible] larger numbers of children."

"One Child in Four," The American
Public Welfare Association, 1986.

"We should go beyond the assistance provided to the working poor in the Tax Reform Act of 1986. We should provide further tax relief to the working poor by varying the Earned Income Tax Credit by family size and by assuring that the ratio of the tax threshold to median family income be at least kept constant over time."

"Ladders Out Of Poverty," The Project
on the Welfare of Families, 1986.
(Bruce Babbitt and Arthur Fleming,
Co-chairs)

"We also propose that the EITC vary by family size. Under the new tax law, the maximum credit a family can claim is raised to $800 by 1988 and would be phased out for workers earnings between $9,000 and $17,000. While this is an important step, it does not respond adequately to the needs of working poor families, especially large families.

Varying the EITC by family size would approximate a children's allowance for low-income families. Every industrialized country except the United States recognizes the importance of children through some sort of universal child allowance. Using the Earned Income Tax Credit to increased the earned income available to working-poor and near-poor families will bolster the efforts by parents to support their children through work."

"A New Social Contract," Task Force on
Poverty and Welfare, State of New
York, 1986. (Submitted to Governor
Mario M. Cuomo)

"The EITC could be modified by introducing a "per child" factor. For example, if an eligible family has three children, the amount of income on which they could earn the credit would increase accordingly."

"The Family: Preserving America's
Future," White House Working Group
on the Family, 1986.

EITC UNDER THE TAX REFORM ACT OF 1986

1) Credit of 14 percent of earnings up to $6,210.[a]

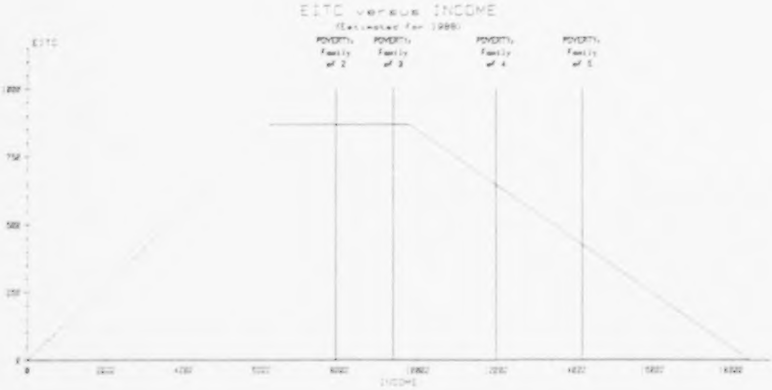
2) Maximum credit of $869 for those with earnings of $6,210 to $9,780 and total income not exceeding $9,780.

3) Reduction of credit by $1 for every $10 of total income over $9,780. No credit for those with incomes over $18,470.

4) Credit refundable for those whose credit exceeds their income tax liability.

5) Available only to those with earned income and a dependent child.

[a] All figures are estimates for 1988.



Current Law

EITC, SOCIAL SECURITY TAXES, AND NET INCOME OF FAMILIES WITH EARNINGS AT THE POVERTY THRESHOLD, BY FAMILY SIZE
(Estimated 1988)

(A) SINGLE PARENT

Dependent Children	(1) Poverty Threshold Income	(2) EITC	(3) Social Security Tax	(4) Net Income	(5) Net Income as a % of Poverty Threshold
1	7,895	869.00	592.91	8,171.09	103.5
2	9,360	869.00	702.94	9,526.06	101.8
3	11,998	647.20	901.05	11,744.15	97.9
4	14,202	426.80	1,066.57	13,562.23	95.5

(1) 1985 poverty threshold income increased by the actual percentage increase in the CPI from 1985 to 1986 and by 3.5 percent for both 1986 to 1987 and 1987 to 1988.

(2) Estimated effect for 1988.

(3) Social Security Tax of 7.51 percent for 1988.

(4) (1) + (2) - (3)

(5) (4)/(1)

(B) MARRIED COUPLE

Dependent Children	(1) Poverty Threshold Income	(2) EITC	(3) Social Security Tax	(4) Net Income	(5) Net Income as a % of Poverty Threshold
1	9,360	869.00	702.94	9,526.06	101.8
2	11,998	647.20	901.05	11,744.15	97.9
3	14,202	426.80	1,066.57	13,562.23	95.5
4	16,045	242.50	1,204.98	15,082.52	94.0

(1) 1985 poverty threshold income increased by the actual percentage increase in the CPI from 1985 to 1986 and by 3.5 percent for both 1986 to 1987 and 1987 to 1988.

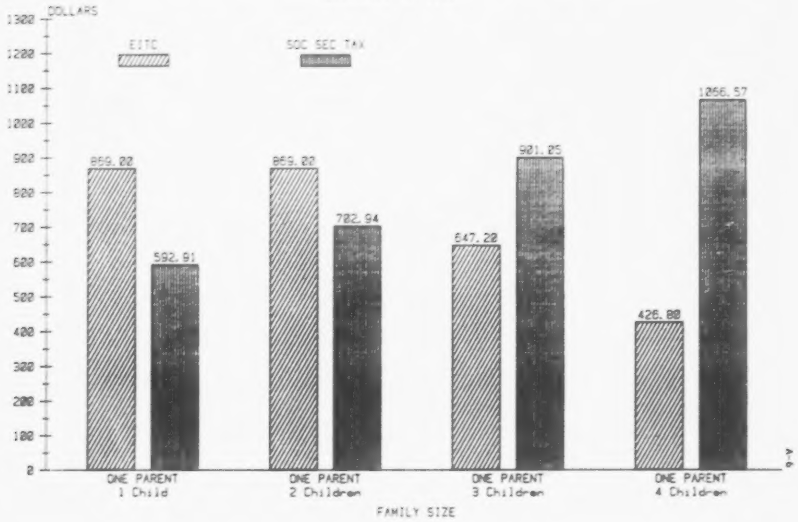
(2) Estimated effect for 1988.

(3) Social Security Tax of 7.51 percent for 1988.

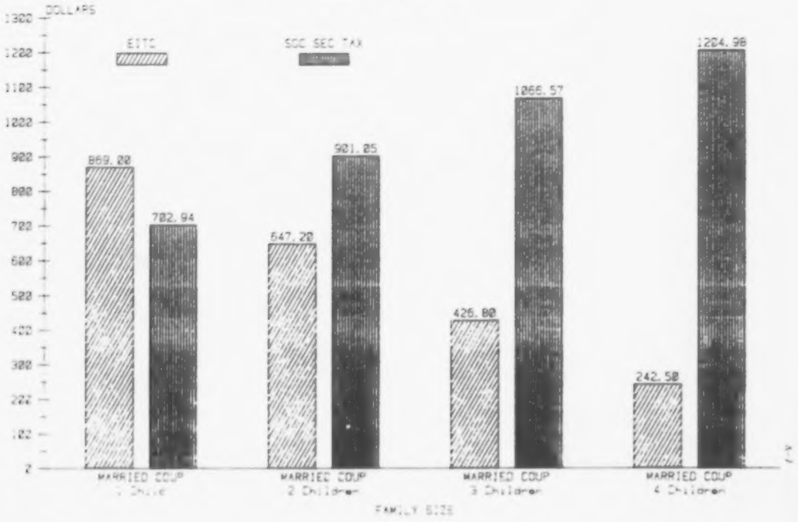
(4) (1) + (2) - (3)

(5) (4)/(1)

EARNED INCOME TAX CREDIT versus SOCIAL SECURITY TAX
at the Poverty Level, by family size: Single Parent Families
(Estimated for 1988)



EARNED INCOME TAX CREDIT versus SOCIAL SECURITY TAX
at the Poverty Level - Married Couple Families
(Estimated for 1988)



Current Law

EITC, SOCIAL SECURITY TAXES, AND NET INCOME OF FAMILIES WITH EARNINGS AT 125 PERCENT OF THE POVERTY THRESHOLD, BY FAMILY SIZE

(Estimated 1988)

(A) SINGLE PARENT

Dependent Children	(1) 125% Poverty Threshold Income	(2) EITC	(3) Social Security Tax	(4) Federal Income Tax	(5) Net Income	(6) Net Income as a % of Poverty Threshold
1	9,869	860.10	741.16	235.35	9,752.59	123.5
2	11,700	677.00	878.67	217.50	11,280.83	120.5
3	14,998	347.20	1,126.35	419.70	13,799.15	115.0
4	17,753	71.70	1,333.25	540.45	15,951.00	112.3

(1) 1.25 times the 1985 poverty threshold income increased by the actual percentage increase in the CPI from 1985 to 1986 and by 3.5 percent for both 1986 to 1987 and 1987 to 1988.

(2) Estimated effect for 1988.

(3) Social Security Tax of 7.51 percent for 1988.

(5) (1) + (2) - (3) - (4)

(6) (4)/Poverty Threshold

(B) MARRIED COUPLE

Dependent Children	(1) 125% Poverty Threshold Income	(2) EITC	(3) Social Security Tax	(4) Federal Income Tax	(5) Net Income	(6) Net Income as a % of Poverty Threshold
1	11,700	677.00	878.67	127.50	11,370.83	121.5
2	14,998	347.20	1,126.35	329.70	13,889.15	115.8
3	17,753	71.70	1,333.25	450.45	16,041.00	112.9
4	20,056	0	1,506.21	503.40	18,046.39	112.5

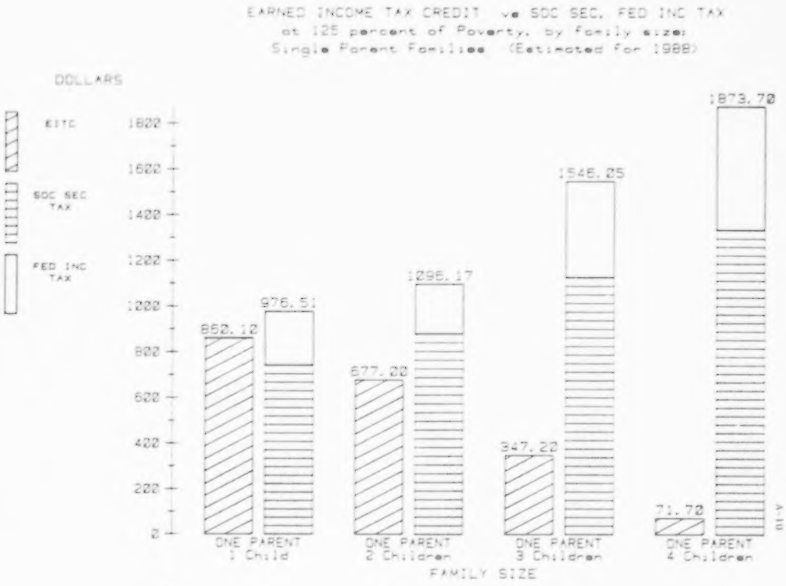
(1) 1.25 times the 1985 poverty threshold income increased by the actual percentage increase in the CPI from 1985 to 1986 and by 3.5 percent for both 1986 to 1987 and 1987 to 1988.

(2) Estimated effect for 1988.

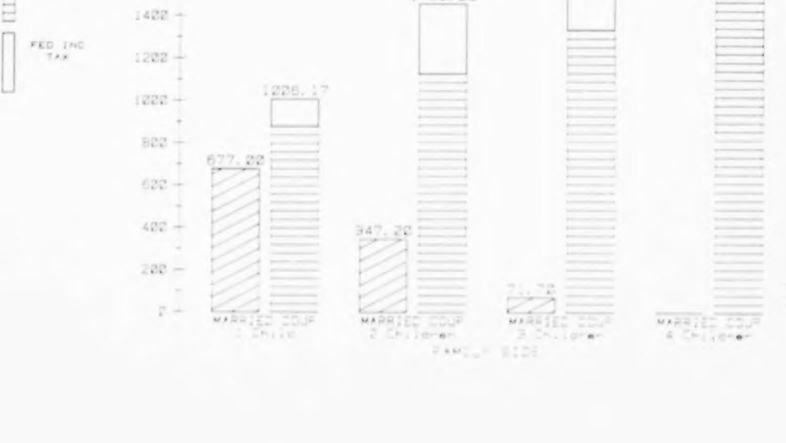
(3) Social Security Tax of 7.51 percent for 1988.

(5) (1) + (2) - (3) - (4)

(6) (4)/Poverty Threshold



EARNED INCOME TAX CREDIT vs SOC SEC, FED INC TAX
at 125 percent of Poverty, by family size:
Single Parent Families (Estimated for 1988)



EARNED INCOME TAX CREDIT vs SOC SEC, FED INC TAX
at 125 percent of Poverty, by family size:
Married Couple Families (Estimated for 1988)

FAMILY SIZE-ADJUSTED EITC

1) Variable percentage credit for earnings up to $6,210.[a]
    - 14 percent for 1 dependent child
    - 18 percent for 2 dependent children
    - 22 percent for 3 dependent children
    - 26 percent for 4 dependent children

2) For those with earnings between $6,210 and $9,780 and total income not exceeding $9,780, a maximum credit of:
    - $869 for families with 1 dependent child
    - $1,118 for families with 2 dependent children
    - $1,366 for families with 3 dependent children
    - $1,615 for families with 4 dependent children

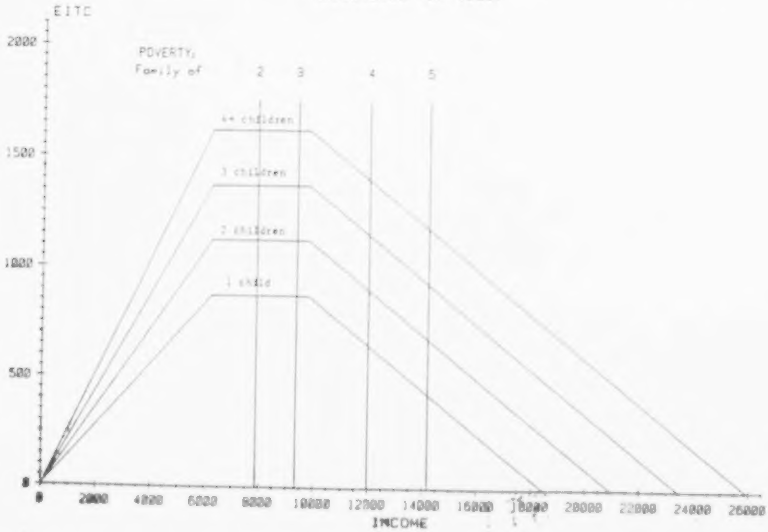
3) Reduction of credit by $1 for every $10 of total income over $9,780. Credit would be totally phased out at incomes of:
    - $18,470 for families with 1 dependent child
    - $20,960 for families with 2 dependent children
    - $23,440 for families with 3 dependent children
    - $25,930 for families with 4 dependent children

4) Credit refundable for those whose credit exceeds their income tax liability.

5) Available only to those with earned income and a dependent child.

[a] All figures are estimates for 1988.

FAMILY SIZE-ADJUSTED EITC versus INCOME
(Estimated for 1988)



FAMILY SIZE-ADJUSTED EITC, SOCIAL SECURITY TAXES, AND NET INCOME OF FAMILIES
WITH EARNINGS AT THE POVERTY THRESHOLD, BY FAMILY SIZE
(Estimated 1988)

(A) SINGLE PARENT

Dependent Children	(1) Poverty Threshold Income	(2) EITC	(3) Social Security Tax	(4) Net Income	(5) Net Income as a $ of Poverty Threshold
1	7,895	869.00	592.91	8,171.09	103.5
2	9,360	1,117.80	702.94	9,774.86	104.4
3	11,998	1,144.40	901.05	12,241.30	102.0
4	14,202	1,173.40	1,066.57	14,308.83	100.7

(1) 1985 poverty threshold income increased by the actual percentage increase in the CPI from 1985 to 1986 and by 3.5 percent for both 1986 to 1987 and 1987 to 1988.

(2) Estimated effect for 1988.

(3) Social Security Tax of 7.51 percent for 1988.

(4) (1) + (2) - (3)

(5) (4)/(1)

(B) MARRIED COUPLE

Dependent Children	(1) Poverty Threshold Income	(2) EITC	(3) Social Security Tax	(4) Net Income	(5) Net Income as a $ of Poverty Threshold
1	9,360	869.00	702.94	9,526.06	101.8
2	11,998	896.00	901.05	11,992.95	100.0
3	14,202	924.00	1,066.57	14,059.43	99.0
4	16,045	988.10	1,204.98	15,828.12	98.6

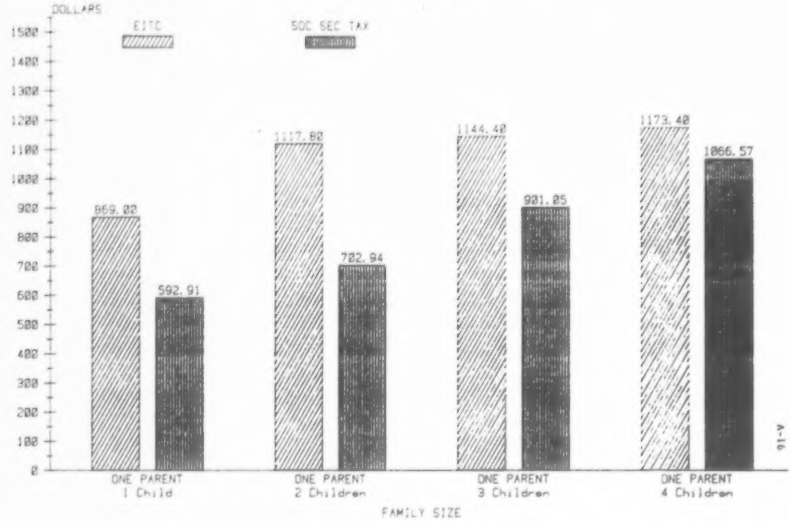
(1) 1985 poverty threshold income increased by the actual percentage increase in the CPI from 1985 to 1986 and by 3.5 percent for both 1986 to 1987 and 1987 to 1988.

(2) Estimated effect for 1988.

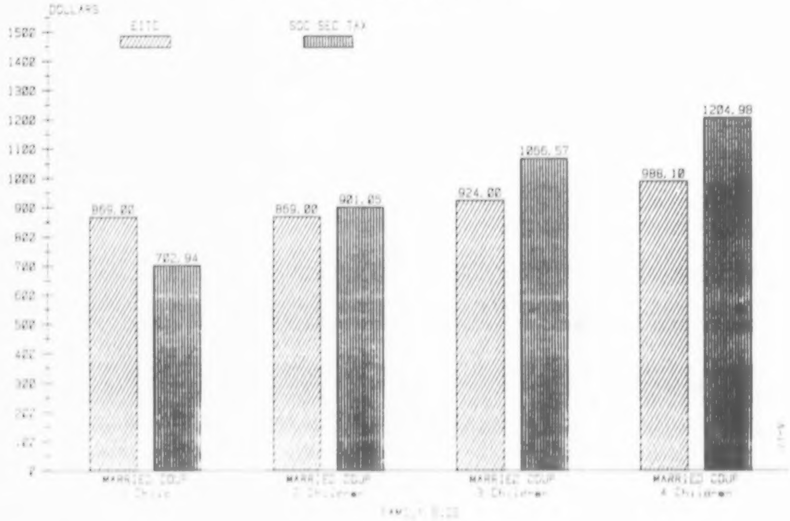
(3) Social Security Tax of 7.51 percent for 1988.

(4) (1) + (2) - (3)

(5) (4)/(1)



FAMILY SIZE-ADJUSTED EITC versus SOCIAL SECURITY TAX
at the POVERTY LEVEL - Single Parent Families
(Estimated for 1988)



FAMILY SIZE-ADJUSTED EITC versus SOCIAL SECURITY TAX
at the POVERTY LEVEL - Married Couple Families
(Estimated for 1988)

FAMILY SIZE-ADJUSTED EITC, SOCIAL SECURITY TAXES, AND NET INCOME OF FAMILIES WITH EARNINGS AT 125 PERCENT OF THE POVERTY THRESHOLD, BY FAMILY SIZE
(Estimated 1988)

(A) SINGLE PARENT

Dependent Children	(1) 125% Poverty Threshold Income	(2) EITC	(3) Social Security Tax	(4) Federal Income Tax	(5) Net Income	(6) Net Income as a % of Poverty Threshold
1	9,869	860.10	741.16	235.35	9,752.59	123.5
2	11,700	925.80	878.67	217.50	11,529.63	123.2
3	14,998	844.40	1,126.35	419.70	14,296.35	119.2
4	17,753	817.30	1,333.25	540.45	16,696.60	117.6

(1) 1.25 times the 1985 poverty threshold income increased by the actual percentage increase in the CPI from 1985 to 1986 and by 3.5 percent for both 1986 to 1987 and 1987 to 1988.

(2) Estimated effect for 1988.

(3) Social Security Tax of 7.51 percent for 1988.

(5) (1) + (2) - (3) - (4)

(6) (4)/Poverty Threshold

(B) MARRIED COUPLE

Dependent Children	(1) 125% Poverty Threshold Income	(2) EITC	(3) Social Security Tax	(4) Federal Income Tax	(5) Net Income	(6) Net Income as a % of Poverty Threshold
1	11,700	677.00	878.67	127.50	11,370.83	121.5
2	14,998	596.00	1,126.35	329.70	14,137.95	117.8
3	17,753	568.90	1,333.25	450.45	16,538.20	116.4
4	20,056	587.00	1,506.21	503.40	18,633.39	116.1

(1) 1.25 times the 1985 poverty threshold income increased by the actual percentage increase in the CPI from 1985 to 1986 and by 3.5 percent for both 1986 to 1987 and 1987 to 1988.

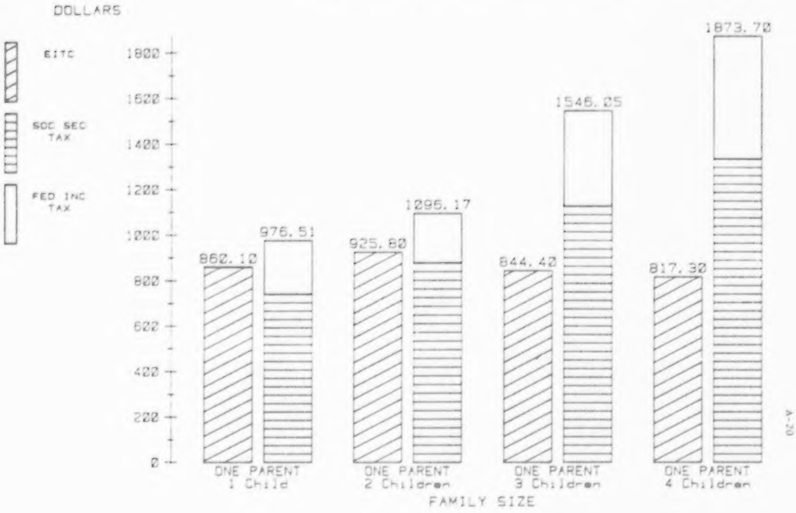
(2) Estimated effect for 1988.

(3) Social Security Tax of 7.51 percent for 1988.

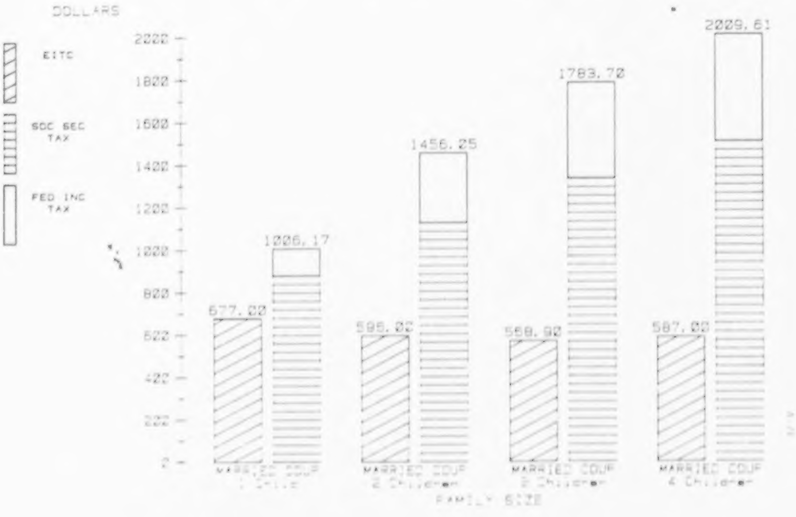
(5) (1) + (2) - (3) - (4)

(6) (4)/Poverty Theshold

FAMILY SIZE-ADJUSTED EITC vs SOC SEC, FED INC TAX
at 125 percent of Poverty, by family size:
Single Parent Families (Estimated for 1988)



FAMILY SIZE-ADJUSTED EITC vs SOC SEC, FED INC TAX
at 125 percent of Poverty, by family size:
Married Couple Families (Estimated for 1988)



Mr. **Donnelly**. Mr. Levin, do you have any questions?

Mr. **Levin**. No questions, Mr. Chairman.

Mr. **Donnelly**. Mr. Pease.

Mr. **Pease**. Thank you very much, gentlemen, for your testimony, which I think is excellent. I am particularly pleased at the approach that you took in getting people from a wide philosophical spectrum. If ever there was a problem that needed consensus, this is it. I have felt for a long time that the problems of welfare were not chiefly philosophical and that they ought to lend themselves to practical commonsense solutions on which liberals and conservatives could agree.

I have a couple of questions. First, on the concept of obligation that I gather is an important part of your study, has there been any experience with that? Have States, or local communities tried that on an experimental basis?

Mr. **Besharov**. There are a number of programs that have required the participation of the head of the AFDC household. My impression is that in some places they have been well administered, and there have not been strong criticisms. We have not seen anyone running to court saying you cannot require us to do something in return for receiving our public assistance.

Mr. **Pease**. True.

Mr. **Reischauer**. There is a fairly long history of this. There are certain States, like the State of West Virginia, which has required AFDCU fathers to participate in work programs for a number of years. The State of Utah experimented with this also. Thirty-nine States now have small or large programs testing out these concepts. The State of California is probably furthest down the road of establishing a mandatory program of obligation for all its recipients.

It is too early to tell, on this large scale, what the effects will be. But as Doug has pointed out, the evidence from the experiments that have been evaluated by MDRC suggests that these programs can be modestly successful, at placing people in work at higher rates than they would otherwise achieve.

There also seems to be a general acceptance by the recipient population that this is fair and a positive step. I think that this is very important. It is a big change from what people perceived to be the case, anyway, a decade ago.

Mr. **Pease**. Well, I would assume that probably it is legal or constitutional to require people to go to school or to work in order to receive welfare, and I would assume that most welfare recipients would accept that quid pro quo.

I guess I have some question about what happens to people who either will not or cannot accept it. What would happen if a person signs a contract to finish a high school diploma in exchange for getting ADC, or a person signs up for a job, and that person turns out to be habitually truant, or cannot get himself or herself out of bed in the morning to go to work, and is generally performing unsatisfactorily?

I presume the option is there for the welfare authorities to say, "Tough beans, we will cut off your welfare." What would happen to those people at that point? Would they be added to the list of homeless who are wandering around sleeping on grates at night?

Do you have any notion of whether that is likely to be a problem, and the degree to which it might be a problem, and what we do about that?

Mr. **Reischauer**. The experimental evidence suggests that this is not a tremendous problem. The number of recipients who refuse to participate are very small. I will qualify that in just a minute.

But the experience of sanctioning with respect to welfare has never been that the entire welfare check is cut off. We are a compassionate nation. While we might not like the behavior of the adult, realizes that the adult is responsible for the care of the children. Therefore the sanctioning has taken the form of reducing the size of the grant, so that the parents' portion is eliminated, not taking the grant down to zero.

As you might be aware, participation in any one of these programs is an extremely difficult thing to measure and keep track of. I think we often overlook these difficulties in our rush to get everybody signed up and participating in some form of obligation.

When we talk about getting a 17-year-old mother of a young child to go to school, we are probably dealing with somebody who has had a pretty lousy school experience. The evidence shows that there is a higher probability of becoming pregnant as a teenager if your school experience has been bad and your school attendance and school achievement have been low.

So, we are saying: this is what is best for you; we know what is good for you, and please ignore the previous 13 years of your life during which you have had bad experiences in this environment. I think it is going to be very, very tough.

There will also be problems getting adults to show up at the training center or the Job Search Assistance Program. There are a million excuses, as you all know. "I was sick; my back hurt; transportation." I was actually a little late getting to these hearings. I was going to give you the subway excuse—it just stopped for 10 minutes. Finding out which excuses are legitimate is very difficult to do.

There are a tremendous number of barriers that people who want to get to their job run into. We are going to have to come face to face with this, and devise fair, yet tough, mechanisms of measuring participation. And I do not think we have confronted this problem yet.

Mr. **Besharov**. If I might add, the Working Seminar as a group, paid a great deal of attention to this issue, and decided it would be a mistake to talk about terminating the entire welfare payment.

One reason is, if you have such a draconian measure, those who administer the programs will never find nonparticipation, and it becomes a false front. That is why we suggested, and we specifically say in our report, let's try the more modest sanction first, which is to reduce or terminate the mother's portion of the grant.

And let's see. We think that should be enough, but as Bob has said, one of the things that we should have learned in the past is to experiment, to try these things before we jump in with any kind of really radical changes in the program.

Mr. **Reischauer**. Could I just add what might be a crazy suggestion. Most of the Nation, the low-wage workers in particular, gets paid by punching a timeclock. It is not inconceivable that when we are talking about participation in a job search program, or education, that the timeclock principle could be applied to welfare benefits as well.

One of the problems with any other mechanism is that you need some kind of adjudication procedures. The job search counselor reports, "Susan didn't show up today." This report goes to the enforcement officer, and then it goes to the welfare bureau. Then, 2, 3, or 6 months later, it might be reflected in a reduced check.

There is no immediate connection between participation and benefits evident to the recipients. In addition there are lots of adjudication processes to make the system fair. I think these difficulties are one reason why some who have looked at our welfare system, including our seminar and the task force set up by Governor Cuomo, have suggested that welfare should be a time-limited benefit. Beyond a 2- or 3-year period, jobs should be provided not welfare because jobs do have a built-in mechanism for measuring participation.

Mr. **Pease**. Well, again, it is valuable to have you thinking about practical aspects. I think the timeclock idea is not bad.

In your scenario you did not mention that at the end of that 2- or 3-month process, when the check is reduced, the client goes in and says "I was there that day, I should not have been cut off." Won't you really be in the soup? It seems to me that if we are going to make a system like this work, it is going to require substantial additional administrative expense, additional staff time, to counsel the welfare recipients, and tell them what they can do, and need to do, and so on. As you point out, they would need to work out enforcement. Are they showing up for school, or are they not, and so on?

In my days in the State legislature, I found that people did not like welfare clients. They did not like welfare administrators, either. They always thought that too much of the money was going into administration.

Have you thought through how much additional administrative expense would be necessary to reform the system in the way that you have suggested?

Mr. **Reischauer**. No, we did not estimate those costs. The seminar thought such important issues should be left to the Congress.

Mr. **Besharov**. To be fair, I think in part, in part we had another reason. We do not propose that you adopt a system this year that will last us for the next 10 years. We instead say, take a look at what changes you want to make, and make them in increments.

Some of our members have suggested 10 percent increments every year. That is a political judgment based on how much money is available. But I think it is truly important to understand that what we are suggesting is increments. Step by step, see what funds are available this year, and apply them, but apply them with a notion that this is not the ultimate solution. We want to learn from this increment and we are making a commitment for a future increment.

Mr. **Reischauer**. There is some hope in certain quarters that obligations and work-welfare initiatives, can save money immediately. I am extremely skeptical about this.

I think we should be taking these steps because they are the right thing to do. I think they probably will cost a modest, if not a considerable, amount of money in the short-run. But we are trying to improve the situation for the year 2000, so that the 110th Congress does not have to grapple with these issues.

Mr. **Pease**. Well, whether we do it nationwide at one time, or incrementally as you suggest, we do have to grapple with the question of how much additional administrative expense we would need to allocate. I hope that some group will be able to come to us and give us an estimate of what that is.

Mr. Chairman, I have other questions, but at this point I yield to my colleague.

Mr. **Donnelly**. Mrs. Kennelly.

Mrs. **Kennelly**. Thank you, Mr. Chairman, and I apologize for being late. However, just in the short exchange that I have listened to, I think you have been able to zero in on our problems right at this point.

And your goal is by the year 2000 to get a better system?

Mr. **Reischauer**. I am just skeptical that we will [illegible] immediate results from the changes that we implement, whatever they are. We probably are going to implement relatively modest changes.

Welfare dependency is a very difficult and intractable problem that has grown up over decades. Unfortunately, the Nation loves the quick fix, loves the program that promises to be the silver bullet that will make everything better immediately. I do not think that is possible in the welfare area.

Mrs. **Kennelly**. Well, you do not have to worry too much about us doing too much because we do not have enough money, and we are wrestling with that, and one of the reasons none of us give a figure down the line is that that would stop it in its tracks.

But our chairman is not here today, and he has held these meetings. This subcommittee has been holding hearings for 18 months, but interestingly enough, all of a sudden our hearings have become much more important because we might do something about welfare reform, and the whole tenor and the feeling has changed.

And if our chairman was here, he would say that the whole reason that we are so intent at the moment is—and as a woman, I have to be a little cynical. When we were addressing it as a problem of single women with children, and by the year 2000, all people in poverty, 99 percent would be women and children, we did not get much attention.

We have shifted the concern to children, and we are getting more attention, and without my cynicism—no one cared about women is what I am trying to say. Without my cynicism, Harold would say if he was here, we are trying to do something for the children, and by the year 2000, a child born today will be 13.

And I am a Catholic. If you know what the Jesuits say, it is all over by much less than that. So we are trying to do something, and yes, it would be nice if we could do things in increments, and thoughtfully and carefully.

But I am an old politician, and I have learned, when you have the momentum you go with the momentum, or your momentum or your time might not come again for 5 or 10 years.

Because in world situations like we have, the national situations, we have got a lot of problems. So we are trying to wrestle with this whole thing, and I am wrestling with it. I was a former city councilwoman.

I have dealt with it like Don has at the local level. This whole thing about mandatory vis-a-vis nonmandatory, I am almost coming to the conclusion that we should try to struggle—or I would like you to comment. Do we separate mandatory work from mandatory education? And just what Don was talking about. Because so many of these people we are interested in are still fairly young.

We have mandatory educational requirements in the State because we know those kids would not go to school if they did not have to. These are still young people.

Also, coming to a new concern that I had not been concerned with when I started this is that, you know, in modern life we are talking about the superwoman, she cannot do everything, and some of these proposal we are looking at, you are asking someone to do something that we as married people cannot do, let alone someone who is alone with a child, or two children, or three children.

But you use that job placement. That is what has killed us, putting so much emphasis and time on job placement, and you can place somebody five times, but if they are illiterate, they are not going to keep a job.

So, could you give me your thoughts. Is it possible, do you think, after your studies, to separate mandatory work from mandatory education?

And I like your idea, I do not think it is crazy, that maybe we can put a timeclock on education.

Mr. **Reischauer**. Well, first of all, one of the reasons we want people to be educated and trained is so that they can get jobs. But, as I said in my statement, we often overemphasize the earning potential of many of the women on welfare. They can't earn much both because they have low levels of education and skills, and because it is not reasonable to expect a young mother of a young child to work full time when day care and transportation are problems. Most married women who work do not work full time, full year.

We should not expect more of this group that has a hard time struggling through day-to-day existence, than we expect of the middle class that has a spouse to help with child care, and the other things that make life easier. Plus as you pointed out, a lot of these women will be in jobs that are relatively unstable. They will be employed today and unemployed tomorrow.

Mrs. **Kennelly**. No, I did not say——

Mr. **Reischauer**. Well, they will be. If you look at women by education level, and job experience level, you will find that the probability of being unemployed, is much higher for those with low skills, and low education.

Mrs. **Kennelly**. I guess my question is, How do I get them educated? That is my question: How do I educate these women so well, they have those children in such a short number of years, and we live so long. We are talking about 60 years maybe, not being a mother of a young child, but being alive with no skills. Now how do I get them educated? You have done the study. What do I do?

Mr. **Besharov**. Well, one thing you can do is you can say, that if you get pregnant and have a child while you are in high school, or you drop out of high school, that you will not get welfare payments for yourself until you finish high school.

You can say, as I know has been before the Congress, and there are some problems——

Mrs. **Kennelly**. Mandatory education.

Mr. **Besharov**. Yes, absolutely. And you can say, barring situations where the home is dangerous for the young mother, that she has to stay at home with her parents. Now that issue has been here and visited, and there are some problems——

Mrs. **Kennelly**. Well, unfortunately, we are trying to get practical in this room, sir, and so be careful how you use parents, because that is part of the problem. You know, let's not be old-fashioned and think she can go home to mother and dad, and everything is going to be wonderful around the kitchen table, because part of the problem is no home.

Mr. **Besharov**. Agreed. But if we are talking about asking State administrators—and this is why State administration is so important—but if we are asking them——

Mrs. **Kennelly**. Excuse me, and I want to correct the record on that. Not that there is no home, but there well might not be a home with two parents, and that mother might be working in the home. So that is all I am trying to——

Mr. **Besharov**. I think we have to send a different signal. For the young mother, it should no longer be an option to just drop out of school, to do nothing else. We should mandate that, in order to receive benefits for herself, she has to finish high school. Now that is easily said.

Mrs. **Kennelly**. But I like it.

Mr. **Besharov**. And we will dump onto the schools, the high schools, the problem of engaging her interests and so forth. But we ought to at least try that one. And I would remind you of our study which I think is quite persuasive. There is something about getting that high school diploma, sticking it out no matter how bad that English teacher is, or whatever, and making it through, that gives someone a certain sense of self-confidence.

And so at a minimum, if you could impose that obligation, this year, we might see some changes.

Mr. **Reischauer**. The fraction of the AFDC caseload, which is under 18 without a high school degree, is very small. This might be something you want to consider, but you are dealing with the bulk of the caseload. Most of the AFDC caseload is 18 or over, which puts them in their majority. We aren't going to take the 22-year old woman who doesn't have a high school degree and has two kids, and say, "You will love Smithtown High which you dropped out of 6 years ago. You know, everybody will look up to you.

Mrs. **Kennelly**. I will throw another statistic at you. Ninety percent of those from 17 to 21 on AFDC, women, are illiterate.

Mr. **Reischauer**. I am not saying that we don't have an education problem. I am just saying that the public schools—the established public school system—is not going to be the avenue for providing education for the vast majority of AFDC recipients who have an educational deficiency.

Mrs. **Kennelly**. Oh, I agree. And in any one of our proposals, we talk about a high school equivalency.

Mr. **Reischauer**. But I raise this simply because the administration, which has produced a very interesting and positive first step that could evolve into some new policy—you are smiling. I am walking on eggs, I know it.

Mrs. **Kennelly**. It is incremental. It certainly goes along with being incremental and it goes along with taking 13 years.

Mr. **Reischauer**. The administration plan basically says, when it comes to education and training the Federal Government won't provide any additional resources because those are State and local responsibilities. Certainly they are, and there are other Federal programs that help with training.

But with respect to educating 22-year-old women who don't have high school degrees, that has not been a responsibility that State, local or Federal Governments, have accepted or done very well. Somebody is going to have to cough up a few new bucks.

Mrs. **Kennelly**. Yes. But I would take exception that it hasn't been done or can't be done well.

Mr. **Reischauer**. It hasn't. It can be.

Mrs. **Kennelly**. Well, with our immigration, still within our cities we have high school equivalency for non-English-speaking individuals that works fine. It has been in our system for 50 years, so I mean there is a pattern for us to look to.

Mr. Chairman, just one more question.

It might be in your testimony, but I have asked most of the witnesses that we have in the last month or so. In the bill I have put in that is based on the Governor's proposal and the American Public Welfare Association's proposal, I put a mandatory requirement of people with children of 3 and over. The President's proposal, and the reason I smile is because there is no money in that at all. We have had numerous witnesses that we asked is there any new money for education and training, and there is none.

But, however, and this is something I am fascinated with, they have in their bill or what will be their proposal 6 months and older. Now we have what is really going to be the bill in this committee, the chairman's mark, or Chairman Ford's mark, and he has in his the requirement we have now, six years.

I would like, for the record, each of you put down what you think would be a realistic mandatory age of women with children for requirements for work and education.

Mr. **Reischauer**. I think 6 is too long and 3 months is too short.

Mrs. **Kennelly**. Split the difference. [Laughter.]

Mr. **Reischauer**. The whole question to me revolves around what is the obligation? What are we requiring? If we are requiring full-time work, I think it is very hard to match that with taking care of a preschool child. I think taking care of a preschool child is in the national interest.

However, if we are talking about attending 3 or 4 hours of high school classes a day and offering some kind of daycare assistance, I think, a mother with a 6-month-old child could participate. Such programs involve a limited amount of time and could be tied into a certain amount of supportive services to go along.

We don't want young welfare mothers to become isolated when most of their compatriots either are in school or are out working. In the long run that leads to lower self-esteem and a feeling of incompetence. It is important to realize that a high fraction of both married and single women with adequate educations and skills are working at least part-time even when their children are younger than 1 year old.

Mr. **Besharov**. I think the vast majority of our group would have answered someplace between 6 months and 1 year. But I would like to suggest that you consider a different approach. I think that Senator Moynihan is considering it as well.

Right now it is Federal policy to prohibit States from imposing work obligations or educational obligations on women with children under 6. The workfare programs we have and the experiments are all under specific waiver authority.

The suggestion I would make to you is just remove the prohibition and leave it to the States. If Utah wants to apply a 2-year exemption, so be it. If California wants a 6-month exemption, so be it. I think that the policy of the Federal Government should be that mothers or heads of household on welfare should work or get education and that it should be up to the States to determine how young the children, or how old the children have to be before that mandate is applied.

That is another politician's answer.

Mrs. **Kennelly**. No, it isn't. Because most of us agree that the towns and villages and municipalities should do it. If they can't do it, the State does it. If the State doesn't do it, then the Federal Government steps in. And the problem here is we have such a history in this whole area of certain States doing all sorts of things and then a large number of States doing nothing. So that once again, wouldn't we put ourselves back?

The reason we are here is that—wouldn't that allow some States to do nothing as they have? I mean, in one of our States we have is 18 percent of poverty is what they provide for in welfare benefits.

Mr. **Besharov**. I know the concern that you are describing and often arises when it comes to the generosity of benefits and so forth. But here I think the worst that you would be seeing is that some State might impose a work obligation on women whose children are one week old. Would that be the concern? Maybe there should be a floor.

Mrs. **Kennelly**. No. That if there weren't Federal guidelines and regulations some States would just do nothing as they are today.

Let me give you an example. When we were doing in this Committee child support enforcement legislation, two of us worked very closely, Carroll Campbell from his State and me from my State. My State had gone out of its way to do many, many things. Carroll Campbell's State was doing nothing, and he was horrified by this.

So we sort of came up here to a middle ground because I knew what could be done and he knew what happened when nothing was being done. And then the Federal regs came out kind of in the middle, and that meant everybody had a chance of getting somewhere across these United States.

No, it is the problem of doing nothing is what worries me. When you don't have Federal regulations, States that don't want to partake in some of these things just don't.

Mr. **Besharov**. I don't know whether that will be addressed in any of this workfare business that we are talking about because it will be up to the States to impose these——

Mrs. **Kennelly**. Sir, I hate that word "workfare." If I were sitting here trying to figure out a new workfare program, I wouldn't be sitting here. I would be somewhere else. I am just trying to figure out how to get people educated and into the work force.

And workfare, we have done workfare so—I mean, you name it. And if this is going to be workfare, that means if someone isn't prepared for a job in the real world, then we will give them some kind of community service job. What we are trying to do is work.

And I am not trying to get the minimum wage up or anything like that. I would like to. But I just want to give them a fair shot of getting into the work force, and workfare is not what I am here for.

Maybe you are, I don't know.

Mr. **Besharov**. I think that the word, and I won't use it again, is used to cover a multitude of sins.

Mrs. **Kennelly**. You have a perfect right to use any word that you want—excuse me. I hate that word, though.

Mr. **Donnelly**. I made the mistake of using that word once, too. [Laughter.]

Mr. **Donnelly**. It isn't worth the grief.

Mr. **Besharov**. I think you would get wide support at one year. I think that the opposition, some of the opposition in the past came from liberals who were concerned about another word which maybe I shouldn't use, which was slavefare. That was the word from the sixties and seventies.

Mr. **Donnelly**. You are getting in bigger trouble. [Laughter.]

Mr. **Besharov**. That may or may not be a problem. I sense that those on the right, not just on our seminar but in general, have seen the higher work force participation of American mothers, and while they are not really crazy about super moms, they are in agreement that women have a role in the workplace and therefore they do not object to the notion that even mothers with younger children should be working.

And I mention that because the right has been an important component of the opposition to these requirements. I think the Right is now ready to say, no, these mothers have to be working early on. And I don't think age 3 is where you lose them. You are going to lose them someplace between 6 months and 1 year.

So if you are looking for a number, 1 year. But do think about giving the States some freedom, perhaps, to modify that number and go down a little lower if a State wants.

Mrs. **Kennelly**. Thank you, sir. You have just put your finger on another one of our challenges, and that is, we have got them looking at the regulation. That was doing something. Now we have got to get them to give some money so we can do it. You know, we are moving them.

Thank you for excellent your testimony and I will read it.

Mr. **Levin**. Thank you very much.

Let me pick up from where Mrs. Kennelly left off. But before I do that, I just wanted to comment. I think one of the valuable principles adopted by your seminar was not to oversimplify, to recognize the complexity. And I was struck by the comment on page 5 of Mr. Reischauer's testimony, a statement of the working seminar, that those who do the following three simple things are unlikely to stay in poverty: first, complete high school, and I think Mr. Reischauer just commented in some respects that isn't so simple. And I think that we have to understand that for a lot of people 17 and 18, saying completing high school means more than just going back and doing the 12th grade.

And the second point, getting married and staying married. Whether we like it or not, in our society—with our divorce rate the way it is—to talk about that as one of three simple things I think misses part of the problem.

In terms of staying employed at a job, I think it is interesting, Mr. Besharov, that the data that is cited there is from 1970 and 1980, and it would be interesting to see if the rates of poverty for people with high school educations in 1982, 1983 and 1984—those with a high school education were the same as they were in 1970 and 1980. I think we would find that there had been some change there.

But let me go on, because I think the spirit of the seminar is important and represents a significant step forward that we are trying to incorporate into law. And we have been touching on this very point the last half an hour, and there are other panelists to come, so we should move on. But I just want to say that I think you recognize in Mrs. Kennelly's questions, Mr. Pease's also—those questions have underlined it—that there is a tension between your points 5 and 6 on pages 10 and 11. I don't think necessarily a contradiction, but a tension.

Point 5 is welfare recipients should be required to take part in work as a condition of receiving benefits, and point 6, the implementation of work programs should move forward cautiously and in graduated steps. And one way I think out of this is what we finally adopted in the proposal that we introduced last year, Senator Moynihan on the Senate side and a number of us on the House side, and are reintroducing, is to leave a lot of flexibility with the States and combine it with some Federal resources on a matching basis with some performance standards and some incentives built into those performance standards, so that we don't see States satisfying their own requirements by just putting people through a mill, having 75 percent of the people learn how to put a resumé together and say that is a meaningful linkage between welfare and work.

So that is one way to resolve the issue, and I, personally, after we continue to look at that issue, continue to think it is probably the best way again to combine flexibility with the States with a mandated requirement, a requirement that they provide opportunities and that there be some Federal resources and some standards built into the Federal legislation.

Mr. **Besharov**. I think this is crucial to the success of the endeavor, and one of the things that we said in our report was that the formula for State participation would be very important. That just as we need to provide incentives for people on welfare to do better, we need to provide incentives for the States.

And there is going to be some argument and some debate about whether it should be 50.

Mr. **Levin**. In the bill that Senator Moynihan is reintroducing in the House it is 50 percent for training, retraining, and education.

Mr. **Besharov**. That is right. Although there is a sleeper in the GROW program that I don't know how widely known it is. Daycare programs are considered an administrative cost under the GROW program, so that the child care for any mother taking part in the program would be supported at the 50-percent level by the Federal Government.

Mr. **Levin**. That is true, but there is not a cent in there for a training, retraining and education program.

Mr. Reischauer, any reaction?

Mr. **Reischauer**. I would like to just make a statement stimulated by our opening observation about Doug's three simple points, which I agree are often not so simple—finishing high school, getting and staying married, and obtaining and keeping a job. Let me say a word about the last of these, obtaining and keeping a job. We should be cautious about what we expect from the current thrust of policy.

Jobs are not so easy to come by, even in good times, in certain parts of this country. In the rural South in the Oil Patch, in Houston, and in the Pacific Northwest—skilled people with long attachments to the labor force are having a heck of a time finding jobs. It is difficult to imagine that we could take a welfare mother and provide her with enough education and training to have her compete successfully in those labor markets for the limited number of jobs that are available.

We also have got to face the fact that nothing this subcommittee does or the Congress does on welfare reform is going to outlaw a recession. This Nation will continue to have recessions. When a recession occurs people have a hard time getting jobs everywhere. Do we want to have a welfare system that works well when we have full employment, but full employment only comes along a couple of years every decade? The answer is no. We have to be very cautious with respect to how much we can expect from work obligation and work initiatives when the economy that has a 6.7 percent unemployment rate and we are calling it great.

Mrs. **Kennelly**. Will the gentleman yield?

Mr. **Levin**. Sure.

Mrs. **Kennelly**. It is deeper than that. Because I come from a State, Connecticut, where we have an incredible—we are one of the lowest unemployment rates in the United States of America, and we still can't even put a hook into our welfare problem. That is one of the reasons we want to do it now, too. It doesn't matter how good the economy is, if you don't have skills, you can't get a job.

Hartford, Bridgeport, and New Haven—three of the poorest cities in the United States of America, though we are booming. So I don't think recession is—the problem is there, recession or boom.

Mr. **Levin**. I think the key is to begin meaningful linkages between welfare and work, and to provide the flexibility we need, along with resources and accountability.

Well, this is such a critical crux of the issue we could stay on here a long time. But I think, Mr. Chairman, we better move on. And thank you very much.

Mr. DONNELLY. Gentlemen, thank you very much. It was interesting testimony and you have made a fine contribution. Thank you.

Our next witness is Bert Seidman. He is the director of the Department of Occupational Safety, Health, and Social Security for the American Federation of Labor and Congress of Industrial Organizations. He will be accompanied by Mary Logan, his assistant director, and Calvin Johnson, legislative representative.

Bert, please proceed.

STATEMENT OF BERT SEIDMAN, DIRECTOR, DEPARTMENT OF OCCUPATIONAL SAFETY, HEALTH, AND SOCIAL SECURITY, AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS; ACCOMPANIED BY MARY LOGAN, ASSISTANT DIRECTOR; AND CALVIN JOHNSON, DEPARTMENT OF LEGISLATION

Mr. SEIDMAN. Thank you, Mr. Chairman.

I have a full statement and I respectfully request that it be included in the record of the hearing. I will try to summarize my statement.

But before I do, I would like to say just a word to follow up on some of the points that were made during the discussion with previous witnesses. I think that in particular the points that Bob Reischauer made just at the very end of their testimony about the difficulty of people being able to obtain jobs when we have persistent high unemployment in the national average, and particularly in some areas.

I want to direct attention to another point, and that is, that we should never forget that this is a program which is intended primarily to help poor children get a decent start in life. It is not a program to provide—first and foremost, jobs for adults. It is a program to take care of the needs of poor children. And therefore, this has to be taken into account in any changes which are made in the program which could have an effect on them.

One of the changes that could have an effect on them is for their parent, in most cases their mother, to be able to improve our economic situation and thereby improve the opportunities of those children. But it has to be done in a way which doesn't punish those children in the interim.

We are pleased that the general direction of the developing consensus of support for providing education, training and placement in decent jobs for recipients who can work outside the home and establishing adequate payment levels for those unable to take paying jobs has developed. It is consistent with longstanding AFL-CIO policy, but we know the confirmed high level of joblessness of American workers and urge that consideration of means by which families can achieve financial independence include serious efforts to increase the minimum wage and to improve the unemployment insurance program.

A welfare jobs initiative should be designed to offer an entire range of employment assistance to all welfare recipients seeking help. It should include four basic elements.

Each person should have a professional caseworker or counselor to work with him or her in determining the proper path to independence. The counselor must have the resources to link the clients to the proper source of service and should continue on with the client until she or he becomes self-sufficient.

As has been said this morning over and over again, education is crucial. Nearly 60 percent of AFDC family heads have not finished high school. Each of these recipients should be given the opportunity to earn a high school diploma and take advantage of postsecondary or vocational training when appropriate.

For those who have achieved a basic education, the next step toward independence must be acquiring marketable skills through training programs which lead to jobs at decent wages and working conditions.

The final step is placement in a job which pays a living wage and provides standard benefits and worker protections.

We oppose efforts to limit job services to only those who are determined to be possible long-term dependents. We are opposed to singling out only a portion of welfare recipients who are to benefit from employment and training programs. We recognize the good intentions of those who suggest such targeting. They are motivated on the one hand by what seems to be an acceptance that there will not be enough money to serve the job needs of all welfare recipients, and on the other hand by a legitimate concern of reaching those considered the most needy.

Nevertheless, we feel that deliberate exclusion of large numbers of welfare recipients will produce a distortion of the goals as well as the outcome of the program. Services to welfare recipients should be based on their needs and should not be determined by any arbitrary categories in which they may be placed. Neither the most job ready nor the least job ready should be deprived of the services that they need in order to become self-sufficient.

We feel it is bad public policy for the Federal Government to encourage the practice of setting arbitrary age limits or require that a person remain on welfare for a specific period before they can receive job assistance. Such actions will do a disservice to all the poor and will result in turning away people who may have been recently forced onto welfare because they couldn't find work, as well as experienced workers for whom the job for which they were trained disappeared when the industry folded or moved. These are people who need retraining as badly as new workers need training. What better way is there to prevent dependency than assisting a person into employment before she is required to spend, let's say, 2 years on AFDC.

It is frequently argued that nearly a third of the families on AFDC go off the rolls in 2 years without the help of a government program, but many of these people could and should benefit from an employment and training program. Two, or even one year on welfare is costly in both financial and human terms.

It is also known that many of those who leave the rolls return after short periods, indicating the need to help them find more adequate and stable employment. We are concerned over the commonly expressed fear that somehow these programs might help someone get a job who could have found one without the help of a government program. There is no way of knowing if she could have found one without assistance. It is safer to bet on the assumption that if she had been able to find a job or the daycare necessary to allow her to leave home to go to work, she would not have had to go on welfare in the first place.

The Federal Government should provide the leadership and financial support necessary to serve the job needs of all the poor. Local AFDC staff should be encouraged to develop links with educational institutions, employment services, private employers and community leaders. Outreach programs are essential to encourage the least job ready to apply for services. Staff should not be required to make arbitrary judgments as to who is most needy, but should instead be encouraged to determine and then serve the needs of all who apply.

The money saved from placing in jobs those who are more job ready, helping them remain in a job that pays a living wage or move to a second one that does, could be used to offset the higher cost for those who need more concentrated and longer term counseling. Our main concern is that the poor who come forward voluntarily to seek help not be turned away and told to stay on welfare for 2 years before they are able to receive education or employment assistance or training.

We recommend instead that the States be encouraged to serve all AFDC recipients who apply for services that can make them in time self-sufficient.

We also oppose putting workers on jobs that pay no wages; that is, workfare. The punitive effects of a practice that threatens the jobs of some workers and provides no wages to others far outweigh any benefits claimed by its supporters and should be avoided.

A number of State programs, as well as most of the current welfare reform proposals being discussed, allow the States to include work fare as a part of their employment and training options. The AFL-CIO opposes the practice of requiring the poor to take jobs that pay no wages in return for their benefits. Workfare schemes are frequently punitive and do little to increase the self-esteem or employability of the participant.

Participants are often denied the status of regular employees getting wages and are not provided standard benefits or full worker protection.

As the representatives from the Conference of Mayors testified before this committee, workfare does not save money because of the costs associated with operating it. Every objective evaluation of the program that has been conducted has concluded that it costs at least as much and sometimes much more to administer than it saves as a result of grant terminations of noncomplying recipients.

Workfare seriously jeopardizes the jobs of regular workers. It is often attractive for an employer to hire workers to whom no wages have to be paid, and then let go or replace their regular workers. Experience with State programs has demonstrated that statutory language prohibiting displacement is extremely difficult both to enact and even more difficult to enforce.

The punitive effects of a practice that threatens the jobs of some workers and provides no wages to others far outweigh any benefits claimed by its supporters. The fact of the matter is that most welfare recipients want to work and will readily volunteer for opportunities they feel will lead to a better life for themselves and their children. They are unlikely to view working for no wages as such an opportunity.

Mandating workfare and then cutting poor families off welfare when the parent refuses or is unable to participate leaves children destitute. This is a gross violation of decent treatment of families. Mandatory workfare is frequently used not as a way to make people more employable but only as a means of terminating grants when recipients are unable to comply. This is a distortion of the goals of a compassionate welfare system, which should be to restore people to self-sufficiency, not to force them and their children into destitution.

A new Federal initiative should allow States and localities to continue to have the flexibility which many have already used in developing cooperative working relationships involving the welfare, employment, education and business communities in order to expand opportunities to welfare recipients. They should be encouraged to tailor programs to meet the specific job needs in their area.

Child care services must be expanded and made affordable for AFDC recipients, 60 percent of whom have children under the age of 6. There has been talk in the earlier part of this morning about requiring mothers with 6-month-old children to go to school or go to work. Well, that might improve her conditions and her opportunities in the future, but it can't be done. It can't be done unless there are real decent child care facilities and services available to those mothers. That kind of a program should not even be considered until those facilities are available.

Every effort must be made to place people in jobs where health insurance is provided. But when that is not possible, Medicaid coverage should continue for a reasonable period to ensure that the employment is stable and the wages sufficient to purchase insurance independently. We have heard over and over and over again of mothers who are simply unable to take jobs that may be available because it would mean that they and their children would be denied continued eligibility for Medicaid which at least provides them with minimal medical services and they simply cannot afford and should not be asked to strip themselves, and particularly their children of medical protection.

Child support enforcement efforts must be expanded and strengthened.

In summary, Mr. Chairman, the AFL-CIO will work with you in any way that we can toward the enactment of legislation which will provide a job and training program and the necessary support services for those who can become self-sufficient along with, and this is the most important thing, a Federal minimum benefit level for those remaining on AFDC.

We have been talking about cutting off the mother's benefit when the mother is unable and conceivably refuses to participate in an educational or training or a work program under various proposals which are under consideration. But cutting off that mother's benefit means reducing the benefit for the entire family, a benefit which is now far below the poverty level in I think every State in the Union.

We have to take those things into consideration before we add those kinds of conditions which may have a permanent effect on those children to the program that we have now.

Thank you, Mr. Chairman.

Mr. DONNELLY. Thank you very much.

[Statement of Mr. Seidman follows:]

STATEMENT OF BERT SEIDMAN, DIRECTOR
DEPARTMENT OF OCCUPATIONAL SAFETY, HEALTH, AND SOCIAL SECURITY
AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS
BEFORE THE SUBCOMMITTEE ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

March 13, 1987

Thank you, Mr. Chairman for giving us this opportunity to express our views on welfare-related work programs. We would like to commend the Chairman for his vigorous leadership in focusing the national debate on the need to replace the welfare program with a combination of badly needed support systems.

For over a decade the AFL-CIO has urged reforming or replacing the nation's welfare system in order to provide 1) education, training and placement in decent jobs for those recipients who can work outside the home; 2) assistance to the working poor who although working full-time are unable to earn enough to keep their families out of poverty; and 3) adequate payment levels for those who are unable to take paying jobs.

We are encouraged to see what appears to be a growing consensus for the enactment of a national program addressing the job and training needs of welfare recipients as well as efforts to bring payments to a decent level for those who must rely solely on welfare. We urge that attention also be given at this time to assisting the working poor - many of whom were cut from the rolls in 1981 - and the unemployed and dislocated workers who are receiving no assistance from any source.

Before commenting on work and training programs for welfare recipients, I think it's useful to point out the broader job picture. There are currently 8 million unemployed workers - of whom only 33 percent are receiving any unemployment insurance benefits. (Those fortunate enough to receive compensation will find that their payments average less than three-fifths of whats needed to keep a family of four out of poverty - and in many states will loose their benefits entirely if they participate in a training program.) Along with the eight million unemployed there are another million who have given up looking for work and no longer show up in the official count, and five million who are working part-time only because they can not find full-time jobs - totaling 14 million workers seeking full-time jobs which pay a living wage.

In addition, there are more than 15 million workers in America who are paid at or around the minimum wage of $3.35 an hour - far below the $4.60 an hour necessary for a wage earner to lift a family of three or more out of poverty. Changes in the traditional America labor market are causing permanent job dislocations for up to two million workers each year. Overall, 60 percent of the new jobs created since 1979 paid less than $7,000 a year. The poverty level for a two person family is $7,240 a year, $9,120 for a family of three, and $11,000 for a family of four.

Consideration of means by which families can achieve financial independence, therefore, will have to include serious efforts to increase the minimum wage and address the sorry state of the unemployment insurance system which provides payments to just a third of the unemployed workers.

Employment Programs

A welfare jobs initiative should be designed to offer an entire range of employment assistance to all welfare recipients seeking help. Ideally the program should be expanded and coordinated with other resources available in order to provide services to all the unemployed, underemployed and displaced workers. The program should consist of four basic elements: 1) career counseling and assessment, 2) education, 3) training and skill development, and 4) job placement.

1) Each person should be seen by a trained counselor - someone who is trained not only in assessing an individual's skills, but who also has knowledge of the labor market. There are growing numbers of individuals (who have had to resort to welfare) who are experienced workers with a long history of labor market attachment but whose industry or skill market has disappeared. In order to become self-sufficient, these people may need retraining just as a new worker needs training. In addition to training or re-training, the needs of those to be served

may include immediate job placement, returning to high school, or even placement in a drug treatment program.

The roll of the career counselor or caseworker in helping the client determine the proper path to self-sufficiency is critical to the success of the entire welfare-jobs effort. Currently there are only limited numbers of professional personnel available to work directly with recipients and they are frequently overworked, untrained and underpaid. These people must be given the proper training and be fairly compensated in order to perform this task. They must have the resources they need to link clients to the proper source of service and not be required to spend time on federally imposed bureaucratic paper work.

2) The emphasis on education is crucial. It is encouraging to see commitments being made in some states to provide not only a high school education, remedial literacy and English language instruction, but community college degrees as well. Nearly 60 percent of all welfare recipients have not finished high school. Many teen-age mothers do not return to school leaving them likely candidates to become long-term welfare recipients. We feel the need in this area is of such magnitude as to require that each recipient be given the opportunity to earn a high school or equivalency diploma, receive assistance in developing a career plan and take advantage of post secondary or vocational training where appropriate.

3) For those who have achieved a basic education, the next step toward independence has to be acquiring marketable job skills through training programs which lead to decent jobs. Every effort must be made to avoid the tragic waste of human potential and scarce resources by putting people through training programs and then leaving them on their own and without assistance to search for jobs which frequently don't exist or don't pay enough to get them off welfare. We point to a number of state programs such as in Illinois and Massachusetts where state administrators have actively and aggressively identified businesses and non-profit organizations which will train welfare recipients and guarantee their placement in decent jobs at the end of the training program. Public welfare departments must work closely with State Departments of Commerce and Employment Security to determine the job requirements of the business community and then train welfare recipients to fill those jobs.

4) As the purpose of all this is to provide the poor with the means to become self-supporting it goes without saying that the jobs in which they are placed will have to pay them a living wage and provide standard benefits and worker protections. To do less will risk the disappointment and failure that has occurred under earlier programs where the poor were given false hope only to end up on or return to welfare frequently after suffering periods of destitution. We are not unmindful of the reality that many entry-level jobs which would be available to persons on welfare are both unstable and low paying. In addition to a long overdue increase in the minimum wage, we recommend that those who may end up in this type of job receive continued job counseling to assist them into a more satisfactory position.

Targeting

The AFL-CIO is opposed to singling out only a portion of welfare recipients who are to benefit from employment and training programs. We recognize the good intentions of those who suggest such targeting. They are motivated, on the one hand, by what seems to be an acceptance that there will not be enough money to serve the job needs of all welfare recipients, and on the other hand, by a legitimate concern of reaching those considered the most needy. Nevertheless, we feel that deliberate exclusion of large members of welfare recipients will produce a distortion of the goals as well as the outcome of the program. Services to welfare recipients should be based on their needs and should not be determined by any arbitrary categories in which they may be placed. Neither the most job ready nor the least job ready should be deprived of the services they need in order to become self-sufficient.

Although we share the desire to break the cycle of poverty for long-term welfare recipients, we feel it is bad public policy for the federal government to encourage the practice of setting arbitrary age limits or require that a person remain on welfare for a specific period before they can receive job assistance. Such actions will do a disservice to all the poor and will result in turning away people who may have been recently forced on to welfare because they couldn't find work as well as experienced workers for whom the job for which they were trained disappeared when the industry folded or moved. These are people who need retraining as badly as new workers need training. There is a lot of attention being given to prevention of dependency. What better way is there to prevent dependency than assisting a person into employment before she is required to spend two years on AFDC?

It is frequently argued that nearly a third of the families on AFDC go off the rolls in two years without the help of a government program. But many of these people could and should benefit from an employment and training program. Two or even one year on welfare is costly in both financial and human terms. It is also known that many of those who leave the rolls return after short periods, indicating the need to help them find more adequate and stable employment.

We are concerned over the commonly expressed fear that these programs might help someone get a job who could have found one without the help of a government program. There is no way of knowing if she could have found one without assistance. It is safer to bet on the assumption that if she had been able to find a job - or the day care necessary to allow her to leave home to go to work she would not have had to go on welfare in the first place.

The federal government should provide the leadership and financial support necessary to serve the job needs of all the poor. Local AFDC staff should be encouraged to develop links with educational institutions, employment services, private employers and community leaders. Outreach programs are essential to encourage the least job-ready to apply for services. Staff should not be required to make arbitrary judgements as to who is most needy but should instead be encouraged to determine and then serve the needs of all who apply. The money saved from placing in jobs those who are more job-ready - helping them remain in a job that pays a living wage or move to a second one that does - could be used to offset the higher cost for those who need more concentrated and longer term counseling.

Our main concern is that the poor who come forward voluntarily to seek help not be turned away and told to stay on welfare for two years before they are able to receive employment assistance. We recommend instead that the states be encouraged to serve all AFDC recipients who apply for services that can make them in time self-sufficient.

Workfare

A number of state programs, as well as most of the current welfare reform proposals being discussed, allow the states to include workfare as a part of their employment and training options. The AFL-CIO opposes the practice of requiring the poor to take jobs that pay no wages in return for their benefits. Workfare schemes are frequently punitive and do little to increase the self-esteem or employablity of the participant. Participants are often denied the status of regular employees, get no wages, and are not provided standard benefits or full worker protection.

With the cutbacks in funds needed to provide more costly and beneficial education and training programs, localities frequently turn to workfare because they believe, mistakenly in our opinion, that it is a less expensive approach. As the representatives from the Conference of Mayors testified before this committee, "Workfare does not save money, because of the costs associated with operating it. Every objective evaluation of the program that has been conducted has concluded that it costs at least as much -- and sometimes much more -- to administer than it saves as a result of grant terminations of non-complying recipients".

Workfare seriously jeopardizes the jobs of regular workers. It is often attractive for an employer to hire workers to whom no wages have to be paid and then let go or not replace their regular workers. Experience with state programs has demonstrated that statutory language prohibiting displacement is extremely difficult to enact and even more difficult to enforce. The punitive effects of a practice that threatens the jobs of some workers and provides no wages to others far outweigh any benefits claimed by its supporters.

It is known that most welfare recipients want to work and will readily volunteer for opportunities they feel will lead to a better life for themselves and their children. They are unlikely to view working for no wages as such an opportunity. Mandating workfare and then cutting poor families off welfare when the parent refuses to participate leaves children destitute. This is a gross violation of decent treatment of families. Mandatory workfare is frequently used not as a way to make people more employable but only as a means of terminating grants when recipients refuse to comply. This is a distortion of the goals of a compassionate welfare system which should be to restore people to self-sufficency, not to force them and their children into destitution.

Administration and State Flexibility

A new federal initiative to combine work and welfare must take a broad look at coordinating a number of state and federal resources. By forming what appears to be very good cooperative working relationships developed by the welfare, employment, education and business communities, a number of states have been able to expand their services to welfare recipients but such services have been limited mainly by the lack of sufficient financial resources. State experience has demonstrated that different arrangements are appropriate in different states and in different areas within states since labor market conditions and institutional capacity vary from place to place. A new federal initiative should allow states and localities to continue to have this flexibility while providing the leadership and resources which will meet the goal of preparing the poor for jobs that pay decent wages and benefits.

Child Care

The most important element of any job and training program for welfare mothers is child care. The availability, quality and affordability of care for the children of the AFDC mothers - 60 percent of whom have children under 6 - has been given scant attention either by the Federal government or most of the states.

There are currently 24 million children nationwide under the age of 13 who need care and only 6 million spaces available in licensed centers or homes. The cost of care is now around $3,000 a year per child for the majority of parents. The federal allotment for child care for AFDC recipients is $1,920 a year.

With day care in such short supply and the cost of most of it beyond the reach of welfare recipients, it is unrealistic to be creating job and training programs to make welfare recipients self-supporting unless equal attention is given to the availability of decent, affordable day care.

Heath Care

Access to health insurance must be an integral part of any welfare-work program. The cost of medical care for one seriously ill child, if free care is not available, could be enough to force a mother with no insurance back on to welfare in order to care for her child. Every effort should be made to place participants in jobs where health insurance is provided. When that is not possible medicaid coverage should continue for a reasonable period to insure that the employment is stable and the wages sufficient to enable the worker to purchase insurance independently.

Child Support

Divorce is a major factor in forcing children into poverty and thus onto welfare. One recent study of divorced couples found that a year after the divorce the woman's income dropped by 73 percent and she was also left with the children to support. By 1990 25 percent of all children in the country will be living with a single parent who, in most cases, will be the mother. An estimated two-thirds of these children will end up on AFDC. Consideration of means by which welfare families can achieve financial independence therefore, should include examination of the widespread problem of fathers refusing to contribute to the support of their children even where they can afford to do so.

Conclusion

In recent years the most dramatic increase in poverty has occurred among children, particularly those in female-headed households. One in four children is born in poverty today and one in five spends his or her youth in poverty. Whereas means tested programs and tax policy were able to remove 22 percent of the poor from poverty in 1979, these programs removed only 9 percent from poverty in 1984. The buying power of AFDC benefits has declined by a third over the past ten years and of the 12 million poor children in the nation, five million receive no assistance at all. This growing ineffectiveness of welfare programs in fighting poverty and supporting families must be reversed.

Mr. Chairman, the AFL-CIO stands ready to work with you to enact legislation which will 1) provide for a federal minimum benefit level sufficient to bring poor families out of poverty; 2) provide effective and fair job and training programs for all who need them; 3) mandate AFDC-UP and ease eligibility requirements in order to assist the working poor and recently unemployed; 4) allow medicaid coverage to continue for a reasonable period after a person previously on welfare becomes employed; 5) provide day care on a sliding fee scale basis; and 6) strengthen the states' capacity to collect child support from the absent parent.

Mr. **Donnelly**. Let me just ask you one question, Bert. One of the things that bothers me about the whole debate on welfare and welfare reform is that we spend 99 percent of our time talking about the mother and about 1 percent of the time talking about the father. The reality is there is an enormous amount of irresponsible males out there across this country that refuse to accept their responsibility. And the question that I have to ask you is this one.

In Massachusetts, we recently passed mandatory wage withholding law, where once the court orders child support payments, we will then automatically garnish from the father's wages his financial responsibility. Where does the AFL-CIO stand on that sort of approach?

Mr. **Seidman**. We haven't considered that specific approach.

Mr. **Donnelly**. I mean a lot of your members, or some of your members are going to be garnished.

Mr. **Seidman**. That may be.

Mr. **Donnelly**. And a lot of my constituents are going to be garnished.

Mr. **Seidman**. We are generally opposed to garnishing of wages because they have such a differential impact and in many cases can be extremely inequitable.

Mr. **Donnelly**. But we are talking about court-ordered child support. It wouldn't happen until after they have gone through the whole process, stated the facts of the male's personal financial problems are and when the judge adjudicates the problem and says, well, you have a responsibility for $100 a week for this child.

Mr. **Seidman**. We think that fathers should have a financial responsibility for their children, whether the children are on welfare or, you know, we think that this is something that ought to be done as a general matter for the population as a whole and not just for the welfare population.

But let me go on to say that in the first place we do recognize that parental responsibility extends to fathers and not just to mothers. And secondly, if there are going to be requirements on imposed on mothers, the fathers should not be exempt from those requirements, whatever they may be.

On the other hand, we also have to recognize that some of these fathers have new families and those children should not be penalized in order to deal with the problems of the children in the other family. And furthermore, many of the fathers have left their families because they were unemployed or because they couldn't provide any kind of a decent income and are still unable to do so, and therefore they have no resources——

Mr. **Donnelly**. To garnish. I understand that. We are not talking about people who are still unemployed because they don't have anything to give. I am talking about the people that just walk away from their responsibility. You know, people who marry somebody else even though. And they still have one or two children that they are responsible for. And if they are not going to fulfill their responsibility, I think that it is outrageous to ask me to pay for their responsibility. I think one of the reasons there continues to be eroding support for AFDC is that people are resentful that fathers are not picking up their responsibility, and that me and my constituents, who have no blood relationship to this, are picking up the tab.

What I am trying to say is that somewhere along down the line we are going to need to know where the AFL–CIO is going to stand on mandatorily garnishing court ordered child support payments. Because I suspect there might be an amendment offered on that.

Mr. **Seidman**. We certainly will take that into consideration. But I think that both the opportunities and the requirements that are established for mothers should also be established for fathers.

Mr. **Donnelly**. If we are going to put a woman out after 6 months and give her a stick and tell her to pick up paper because she is getting $300 a month and not getting anything from the father, I mean, it seems to me to be somewhat discriminatory.

Mr. **Seidman**. I think those fathers also ought to have the opportunities for education and training and all the other things that we are talking about for the mothers, especially if we are going to require them, as we should, to help in the support of their children.

Mr. **Donnelly**. Thank you.

Mr. Pease.

Mr. **Pease**. Thank you, Mr. Chairman. And thank you, Mr. Seidman, for your testimony.

I was interested in your opposition to forcing people to work for their welfare check without being paid. I tend to agree with you that that is not likely to contribute to their morale. It is forced labor, if you will, and people can't be expected to be very happy about doing that.

I guess what you are saying points up to me the importance, if we can, of having a coordinated program. Theoretically, if you put people on paying jobs, even public service jobs, then they go off welfare. You don't make them work, but they go off welfare because they are earning wages. Now that saves money in the welfare department. The money that is saved in the welfare department ought to be able to be transferred to the employment service department to pay the wages.

So it seems to me that ideally we would be talking about a transfer here where the amount of money being paid out would not be materially different. Presumably you would pay more in wages than people are getting on welfare, but the money you save in welfare is used or can be used for wages.

I think the way we are set up now that couldn't be accomplished. The savings in the welfare department don't get transferred to cities that want to hire additional people or whatever.

Have you given any thought to how we might deal with that problem?

Mr. **Seidman**. Well, in the first place we would strongly advocate that there should be a minimum Federal standard with respect to the level of benefits, and the benefits ought to be brought up to a decent level at least by stages and as quickly as possible to the poverty level. They are far below that level now.

We certainly favor that adequate resources be made available for the job service. We are opposed to the proposals which are being made to turn the financing of the job service over to the States, or the administration of the job service over to the States. We think that is going to result in a lower level of service than we are getting now rather than improved services.

So we would be in favor of more resources for the job service so that more people can get jobs. We would also be in favor of employers being required to list their openings with the job service so that everybody would know, without paying any fees or anything of that kind, what jobs are available.

Mr. **Pease**. I think all of us, certainly, in this committee, would agree with you that the present standards for payment to AFDC recipients are not high enough and that there probably ought to be a national standard. It ought to be substantially increased. That would be a fairly expensive proposition. I suspect it would cost some billions of dollars, and yet that doesn't qualify for what my constituents have in mind when they think of welfare reform. They don't think of paying more money. They think of making the system more efficient.

The reason that we are not talking a great deal about raising national standards at this point is budget deficits, and you have suggested a number of things which would surely improve the system and surely improve the lives of people within that system. But they also just as surely would increase the Federal outlays substantially.

We are not only the committee that deals with welfare, we are the committee that raises revenue for the Federal Government, and I am just wondering if AFL–CIO institutionally has taken a position at all on what to do about our large national deficit. Do we take the position we can't increase the deficits by adopting welfare reform or national standards, or do we say we have got to do that and to hell with the deficits, or do we say we have to make these improvements and we are willing to pay for them in this way, through taxes?

Mr. **Seidman**. The AFL–CIO does have a program on the budget, and I would be glad to make that available. But it does include in it proposals for additional revenue. We are in favor, for example, of the proposal which has been made by the Speaker. Made by the Speaker in the early days of the Congress on ways of improving revenue.

We are also opposed to slavish adherence to the Gramm-Rudman-Hollings targets. We think that is a suicidal approach and self-defeating. So that the answer to your question is yes, we are in favor of various ways of increasing revenue in order to deal with the budget problem.

With respect to the question of improving welfare benefits, we don't think that improvement in welfare benefits should be conditional upon success in getting people off the welfare rolls. But on the other hand, we think that everything possible should be done to make it possible for people to get off the welfare rolls, and if we can then reduce the number of people who have to depend on welfare, it will make it easier to provide for a decent level of welfare payments.

Mr. **Pease**. All right. Thank you very much.

Mrs. Kennelly.

Mrs. **Kennelly**. Thank you, Mr. Pease.

Mr. Seidman, I hear you. Excellent testimony.

First, I would like to just set the record straight for a minute. First, the AFL-CIO record. I didn't hear you say that you believed that individuals with new families don't have responsibility for children the children of old families. I didn't hear that, did I?

Mr. Seidman. No, I did not say that. I just said that you can't forget about the fact that they do have the responsibility, perhaps, or should have the responsibility for both families to the extent that they can manage that responsibility.

Mrs. Kennelly. Thank you, sir.

And I want to set the record straight on the bill I have introduced. There is no thought in my mind that I would have a bill in that would mandate women to go to work with children if there wasn't available quality daycare, and I want you to be very aware of that, too, sir.

Mr. Seidman. I am very glad to hear that.

Mrs. Kennelly. Mrs. Logan, you have had incredible experience along these lines. Could you, since you are here, and we are so delighted you are here—could you just share with us the practical basis of what we have to do to get somebody to work?

I know Mr. Seidman doesn't want us to target people, but I am going to target people. It is part of my concern. I am going to target a woman who is 14, 15, 16, 17, with a child, who doesn't have a high school diploma and who doesn't have many good work habits, let alone habits, because she is a child. What do I have to do to get her to work?

Not workfare. And I don't want to buy her a condominium and give her a high-paying job. I want her to be able to get up in the morning and go to work.

Ms. Logan. You have to have child care for her. You have to make sure that there is a person that is working with your 18-year-old, somebody who doesn't exist out there now. It has been many years since we have had professional case workers working with clients. I mean, these people see an intake worker when they come in and that is it. They are never talked to again. And I don't feel there has been quite enough discussion regarding how we suddenly create these people to fulfill the State's side of the social contract. That is very crucial.

Then you have to have the education available. You have to have all of the things that we have described here and that others have described in terms of services and resources out there for the person, and the key is this caseworker—a counselor working with her.

I don't know what experience you referred to, but some years ago I was an AFDC case worker in Detroit.

Mrs. Kennelly. That is the experience I was referring to.

Ms. Logan. Was it? Resulting from new Federal legislation, an employment assistance program moved into the public housing projects where we had our offices in order to get jobs for our people.

Well, the first person I sent over was a woman who had raised two children. She had never worked. She had gone to the fifth grade. Her two children were 12 and 13 and had taught her how to read and write. She had done a marvelous job, raising those children and felt she could safely leave them so she could go to work. So I sent her down the hall for employment assistance.

She came back in tears, because the people there told her they could only help the hard core, and this woman appeared too well educated. She could write too well and she could read too well.

Well, that was it for her. I mean, to be told that she didn't fit their idea of the hard core. And that happened over and over and over. They just kept sending these people back.

Well, you know, people that go into a welfare or a JTPA office to get a job, it is not the first place they go. It is the last place. I mean, they have already been on the streets. They already, if they know how to read have read the want ads.

My concern is that we set up a system here that is going to tell people, sorry, pal, you just go back and sit on welfare for another 2 years before we have decided that you are hard core enough to really need help to get off.

Mrs. **Kennelly**. Thank you.

Mr. Seidman, you began your testimony by being concerned about the children, and the way you proceed, some of the things we are doing we are forgetting about them and we are just trying to get people to work. I would just like to comment to you that part of the problem we have is some of these people, it is the only role model the child has. Now you just gave a wonderful example, the child taught the mother—but that is unusual—how to read and write. Often these children, the only role model they have in the world is their mother, and if she doesn't go to work—and we have generational concerns about welfare. Generation after generation after generation, because somebody working in the group has never been present. I mean, this is part of our feeling that this role of a parent going to work is very good for a child.

Mr. **Seidman**. I agree with you 100 percent. And I didn't mean to imply, as a matter of fact, I stated that one of the ways that we can, and the most important way that we can improve the condition of these children is for their mothers to obtain decent jobs and provided that there is for them the necessary child care while their mother is working.

But the point that I wanted to make was that in trying to convert their mother under very, very difficult circumstances to be such a role model, we should not build in features which will have a punitive effect on the children. And one example I gave, I know it is a difficult one, is that if you have a requirement that the mother participate in a training program or in a job search program or in a job, and that if she doesn't the welfare check which is already very, very inadequate is going to be reduced still more, this isn't going to have an effect only on the mother. It is going to have an effect on the children as well, and we have to take account of that.

Mrs. **Kennelly**. You said earlier, and my problem is trying to figure out if we say it is mandatory just education or education and work. With your vast experience, I am going to ask you to help me on this one. I am running into a whole other situation. You said decent job, and, you know, what you want and what we should have in the United States America and what the principles of the AFL–CIO are I agree with 100 percent.

But I don't think we are going to get to that goal in welfare reform. Now you are saying to me be very careful what you do. But I am saying to you—well, I will ask you this: Do you think if we can't do a perfect job or we can't begin at least because we are severely limited in our funding—we are fighting to the death for startup funds for some of these things—should we not do it?

Mr. **Seidman**. No, I am not saying that we shouldn't do it, but I am saying that we shouldn't ask people to go out to jobs where they are not paid at least the minimum wage. And if there is any question of other people being involved that they are paid whatever the prevailing wage is. That there shouldn't be two levels of wages for the welfare recipients, as opposed to other workers, and we shouldn't expect people to go out to jobs where there is no workers compensation. That we shouldn't expect people to give up their health care protection in order to accept jobs.

These are the kinds of things that I think we have to build into the program.

Mrs. **Kennelly**. And that is, I think, where I get into this problem with the AFL-CIO has certain things they want and, of course, Don and I want, to speak for the two of us. However, let's not try to get things in this reform that many, many women in this country don't have. And granted, I am very much in sympathy with the gentleman, the witness before, who says don't expect women on welfare to try to do something that regular women can't do.

However, we know the vast number working who are not on welfare and are working part-time, though good numbers are working full-time, but are working part-time at jobs that do not have a lot of things that you are describing, but they do have them in a pinch.

Mr. **Seidman**. That is right. We have far too many people in this country who do not have coverage for health care. This is the only country in the world where people can work and not have coverage for health care, the only industrialized country in the world.

But at the same time, we cannot expect mothers who do have Medicaid protection—we are talking about protection for their children, not just for themselves, who have Medicaid protection to take jobs which provide them no health care coverage whatsoever.

Mrs. **Kennelly**. In the proposal that I dropped in——

Mr. **Seidman**. I am not suggesting you are doing this. I am saying that there are some people who would.

Mrs. **Kennelly**. But in the proposal I dropped in we give 1 year coverage by Medicaid when back in the work force. Do you think that is adequate?

Mr. **Seidman**. It is not adequate, but it would certainly be better than not having any Medicaid coverage at all when they take jobs.

Mrs. **Kennelly**. The other day we had a representative of labor here that seriously, you know—Senator Kennedy cannot get a universal health system in this country, and so I do not think we are going to do it in this committee this year.

But we had a labor representative here that seriously presented a charge for us in welfare reform that you have not been able in your whole wonderful career have come about. So I just think we got a problem there that we do not want to expect too much.

Now, I do not want to wait as other witnesses said for 13 years either, you know, with incremental advances. So I think I am answering my own question. You said you would work with us.

Mr. **Seidman**. We are talking at the moment about health care protection, and we think that the health care protection has to be extended. But let me also say that there seems to be every indication that serious consideration may be given for the first time in many years in this Congress to legislative proposals which will come from vary responsible sources that employers should be required to assure minimal health care protection to their employees.

We hope that that kind of legislation will be given very serious consideration, and our executive council which met last month unanimously adopted a statement which called for such legislation, and if we do have such legislation, that will help in the problem that we are talking about as it relates to mothers who are now on welfare and who could be in jobs.

Mrs. **Kennelly**. Thank you, sir.

Mr. **Pease**. Thank you. We appreciate it.

Our final panel for this morning will be Paula MacIlwaine, commissioner, Montgomery County, OH, and Chair of the National Association of Counties Work and Welfare Reform Task Force; and Peter Breen, director, Marin County Welfare Department—that is in California—and member of the APWA National Council of Local Public Welfare Administrators.

I welcome you both, and, Ms. MacIlwaine, you may begin.

STATEMENT OF PAULA J. MacILWAINE, COMMISSIONER, MONTGOMERY COUNTY, OH, AND CHAIR, WORK AND WELFARE REFORM TASK FORCE, NATIONAL ASSOCIATION OF COUNTIES

Ms. **MacIlwaine**. Thank you very much.

Members of the subcommittee, I am Paula MacIlwaine, a county commissioner from Dayton, OH, and, as Mr. Pease said, I chair the NACo's Welfare Reform Task Force.

We are very interested in this whole issue because, of course, counties play a significant role in delivering human services. In our State, counties are the main deliverer of welfare, and in my county of 571,000 people we have 70,000 clients on the welfare system currently, and we make it a habit of meeting with our clients on a regular basis to see just what they think about welfare reform, which is a very interesting discussion.

Almost every county in the country provides local tax dollars for welfare and some portion of other kinds of social services and employment programs. This year welfare reform is one of NACo's top priorities, and we have a Work and Welfare Task Force, which will be meeting for the third time tomorrow afternoon as the county officials from across the country are meeting for NACo's annual legislative conference.

Since December, we have been meeting with congressional Representatives and staff, State and local government interest groups and advocacy organizations. We are meeting this Saturday with a focus group of clients from the Washington area to talk about the whole issue. Our task force has not completed its work but there are several things that we have ironed out as part of our position.

First of all, we realize and believe that our clients want a paycheck rather than a welfare check. As a long-term goal, we support replacing AFDC, food stamps and other income security programs with a single benefit program. And one of our clients told us that one of the most difficult things in the system now is that they get a check and coupons at the beginning of the month and the grocery stores all raise their prices on the food, and then by the end of the month they have nothing left either from their cash or their benefits, and they are suggesting perhaps we ought to give them their benefits more often than once a month.

Since poverty is a national problem, we propose that the Federal Government fund the minimum benefit level with incentives to States to supplement the minimum. Another idea we are talking about is, as an interim step, we also continue to support strengthening and simplifying the earned income disregards as one of a variety of ways to increase work incentives. We are really interested in positive incentives, and we agree that there must be a stronger work requirement for adult AFDC clients. We are looking at requiring AFDC clients with children 6 months or older to either work, pursue a high school education or a degree and training if day care and medical care are available. Many of our members have stated across the country infant care is the most difficult to provide in a community and is a much higher cost, and so we are looking at the problems related to that.

Our task force also emphasizes the critical need for stronger enforcement of child support. Both parents should be responsible for their children. I know in our particular county and our State we are only collecting on 6 percent of the AFDC clients for child support, and so we feel that a lot of work has to be done in this whole area.

As with other national organizations, we are looking at the Wisconsin child support program. We are very intrigued with their automatic wage withholding as a percentage of the obligors' income. Our clients and also women who are not on AFDC tell us that when the noncustodial parents' income increases they have to keep going back to court, hiring attorneys and getting money, and it is very expensive and very hard to do.

Mandating the AFDC unemployed parent program in all 50 States hasn't been discussed by our task force, but we are going to look at that. We think that an income support system must work to keep families together, and one of the components of our task force proposal is that we keep families together and that the whole support system should be based on families.

We support increased Federal support for child care. We know that there are two main barriers for many of our clients to get off the AFDC rolls, that being the lack of child care and the lack of health care coverage. One of our members suggested that we be allowed the flexibility to use Medicaid payments to purchase medical insurance for newly employed clients' dependents when the employer doesn't provide it.

We are examining a provision allowing localities to require welfare recipients to enroll in a selection of managed health care plans without going through the Federal waiver process. None of the reforms, however, that I have suggested will ensure self-sufficiency unless our clients are educated and trained for the work force. We favor requiring teen parents, both the father and mother, to pursue a high school education or a GED.

Job training and placement services are other essential components to the welfare-to-work system, and local officials and private industry councils under JTPA recognize that there are short and long-term recipients with differing needs for support. Because we are the level of government closest to our clients, we feel we can best determine the proper mix of services; target groups, service providers and the local labor market.

Federal proposals I think have to recognize that many States and counties are already initiating innovative reform programs of their own, and we think that it is very important that we link welfare and employment and training services and not set up another duplicative training service.

While we haven't developed a final position, our task force has reached a consensus that there must be a system of case management and a client agency contract. This should allow workers to work more with clients instead of being the paper pushers that they currently are because of complication of the system. There must be a partnership between the county and the client which has realistic expectations on both sides.

Finally, I have closely followed the current reform debate and note that almost everyone agrees with the concepts of reform including education, increased support services, job training, stronger work requirements, and cash assistance benefits with positive work incentives. While it is time to refine those concepts, we also need to talk seriously about the cost of reform and the financial responsibilities to be taken by the Federal, State and local governments.

I appreciate the opportunity to testify, and we will keep you informed as our task force finishes its work and, hopefully, work with you. We hope that this is the year for welfare reform. We are hoping that our association along with the Governors' Association will adopt the saying, "Say yes to welfare reform."

Mr. PEASE. Thank you very much, Ms. MacIlwaine.

[Statement of Ms. MacIlwaine follows:]

STATEMENT OF PAULA J. MACILWAINE, COMMISSIONER, MONTGOMERY COUNTY, OHIO, AND CHAIR, NACo WORK AND WELFARE REFORM TASK FORCE

MR. CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE, I AM PAULA MACILWAINE, COMMISSIONER IN MONTGOMERY COUNTY (DAYTON), OHIO AND CHAIR OF NACO'S WORK AND WELFARE REFORM TASK FORCE. THANK YOU FOR THE OPPORTUNITY TO SPEAK WITH YOU ABOUT WELFARE REFORM.

COUNTIES PLAY A SIGNIFICANT ROLE IN DELIVERING HUMAN SERVICES. COUNTIES IN 13 STATES PAY FOR A PORTION OF THE BENEFITS OR ADMINISTRATIVE COSTS OF THE AID TO FAMILIES WITH DEPENDENT CHILDREN (AFDC) PROGRAM. IN MY HOME STATE OF OHIO, THE 88 COUNTIES PAY FOR ABOUT 4 PERCENT OF THE AFDC BENEFITS AND ADMINISTRATIVE COSTS. LIKE THE MAJORITY OF STATES, OHIO'S COUNTIES OPERATE A GENERAL RELIEF PROGRAM, WHERE IN THE CASE OF MY COUNTY, WE PAY 25 PERCENT OF THE BENEFITS. IN ADDITION TO DIRECT INVOLVEMENT IN MEANS-TESTED ENTITLEMENTS, ALMOST EVERY COUNTY IN THE COUNTRY PROVIDES LOCAL TAX DOLLARS TO SOME PORTION OF THE ASSORTMENT OF WELFARE, SOCIAL SERVICES AND EMPLOYMENT PROGRAMS.

BECAUSE OF OUR PARTICIPATION, WE ARE VERY AWARE OF THE PATCHWORK OF UNCOORDINATED PROGRAMS AND THE BURDENSOME PAPERWORK FOR BOTH OUR COUNTY WORKERS AND THE CLIENTS. NACO HAS LONG CALLED FOR TAKING INTERIM STEPS TO REFORM THE CURRENT SYSTEM WITH THE ULTIMATE GOAL OF COMPLETELY REPLACING IT WITH A COMPREHENSIVE SYSTEM. THE NEW SYSTEM WOULD PROVIDE EMPLOYMENT OPPORTUNITIES AT ADEQUATE WAGES FOR THOSE PEOPLE WHO ARE ABLE TO WORK, AND A SIMPLIFIED INCOME ASSISTANCE PROGRAM FOR OUR COUNTY RESIDENTS WHO ARE UNABLE TO WORK.

NACO HAS PARTICIPATED IN WELFARE REFORM DEBATES FOR A LONG TIME. WE REVISED AND EXPANDED PROPOSALS IN 1976 AND 1981. THIS YEAR, IT IS AGAIN ONE OF NACO'S TOP PRIORITIES. WE CURRENTLY HAVE A WORK AND WELFARE REFORM TASK FORCE WHICH WILL BE MEETING FOR THE THIRD TIME TOMORROW AFTERNOON. WHILE MANY OF THE RECOMMENDATIONS WE MADE 10 YEARS AGO ARE STILL APPROPRIATE, THE TASK FORCE IS RESHAPING THEM TO FIT TODAY'S POLITICAL AND FISCAL REALITIES AND RECENT DRAMATIC CHANGES IN WORK FORCE DEMOGRAPHICS.

SINCE DECEMBER, THE NACO TASK FORCE HAS HEARD FROM CONGRESSIONAL STAFF, STATE AND LOCAL GOVERNMENT INTEREST GROUPS AND ADVOCACY ORGANIZATIONS. WE HAVE SPENT LONG PRODUCTIVE DAYS IN WHICH COUNTY ELECTED OFFICIALS, HUMAN SERVICES DIRECTORS, EMPLOYMENT AND TRAINING ADMINISTRATORS AND OTHERS SAT DOWN, SPOKE FRANKLY AND BEGAN IRONING OUT A NACO POSITION. WHILE WE HAVE NOT COMPLETED OUR RECOMMENDATIONS, I WANT TO HIGHLIGHT THE DISCUSSIONS THE TASK FORCE HAS HAD ON INCOME MAINTENANCE, SUPPORT SERVICES AND EDUCATION AND TRAINING.

FIRST, OUR TASK FORCE RECOGNIZES THAT PUBLIC ASSISTANCE CLIENTS WANT A PAYCHECK RATHER THAN A WELFARE CHECK. DURING OUR MEETINGS, I HAVE ALSO HEARD THE MEMBERS STRESS THAT REFORM MUST BE FOR THE CHILDREN: TO HAVE MILLIONS OF THEM IN POVERTY IS SIMPLY UNACCEPTABLE.

INCOME MAINTENANCE, PARTICULARLY AFDC, HAS RECEIVED A GREAT DEAL OF DISCUSSION IN OUR TASK FORCE. WE HAVE A LONG-STANDING POLICY SUPPORTING AN APPROACH SIMILAR TO THE AMERICAN PUBLIC WELFARE ASSOCIATION'S "FAMILY LIVING STANDARD." AS A LONG-TERM GOAL, WE SUPPORT REPLACING AFDC, FOOD STAMPS AND OTHER INCOME SECURITY PROGRAMS WITH A SINGLE BENEFIT PAYMENT. THIS BENEFIT WOULD HAVE A UNIFORM STANDARD OF ELIGIBILITY, WITH BENEFITS ADJUSTED FOR REGIONAL DIFFERENCES IN THE COST OF LIVING. SINCE POVERTY IS A NATIONAL PROBLEM, WE HAVE PROPOSED THAT THE FEDERAL GOVERNMENT FULLY FUND THE MINIMUM BENEFIT LEVEL WITH INCENTIVES TO STATES TO SUPPLEMENT THE MINIMUM. MOREOVER, IF AFDC AND OTHER PROGRAMS ARE REPLACED, THE NEW STANDARD MUST BE REGULARLY INDEXED FOR INFLATION AND SHOULD ALSO RECOGNIZE THE TAXING AND FISCAL CAPACITIES OF DIFFERENT STATES AND COUNTIES.

AS AN INTERIM STEP, WE ALSO CONTINUE TO SUPPORT STRENGTHENING AND SIMPLIFYING THE EARNED INCOME DISREGARDS AS ONE OF A VARIETY OF WAYS TO INCREASE WORK INCENTIVES. WHILE THE NACO TASK FORCE HAS NOT DISCUSSED THE SPECIFICS, INCREASING DEDUCTIONS FOR WORK EXPENSES, CHILD CARE AND EXCLUDING INCOME FROM THE EARNED INCOME TAX CREDIT (EITC) ARE STEPS TOWARD INCREASING POSITIVE WORK INCENTIVES.

IN ADDITION TO POSITIVE INCENTIVES, WE HAVE AGREED THAT THERE MUST BE A STRONGER WORK REQUIREMENT FOR ADULT AFDC CLIENTS. IN PARTICULAR, WE ARE CONSIDERING REQUIRING AFDC CLIENTS WITH CHILDREN SIX MONTHS OR OLDER TO EITHER WORK, PURSUE A HIGH SCHOOL DEGREE OR ENROLL IN TRAINING, IF DAY CARE AND MEDICAL CARE ARE AVAILABLE. HOWEVER, SOME OF OUR MEMBERS ARE CONCERNED ABOUT THE HIGHER COSTS OF INFANT CARE, ESPECIALLY WHEN MOST COMMUNITIES ALREADY HAVE A SHORTAGE OF DAY CARE SLOTS. WE ALSO WANT TO ENSURE THAT WORK REQUIREMENTS CONTRIBUTE TO FAMILY STABILITY.

OUR TASK FORCE ALSO EMPHASIZES THE CRITICAL NEED FOR STRONGER ENFORCEMENT OF CHILD SUPPORT. BOTH PARENTS SHOULD BE RESPONSIBLE FOR THEIR CHILDREN. MOST STATES AND COUNTIES DO NEED TO INCREASE THEIR COLLECTIONS. BUT, WE ALSO RECOGNIZE THAT CHILD SUPPORT CANNOT BE VIEWED IN ISOLATION. MANY OF THE ABSENT PARENTS ARE TEENAGERS WITH LITTLE EDUCATION OR JOB SKILLS THAT GIVE THEM AN INCOME ALLOWING THEM TO SUPPORT THEIR CHILDREN. FOR EXAMPLE, IN 1985 LESS THAN ONE PERCENT OF AFDC FAMILIES WERE REMOVED FROM THE ROLLS DUE TO CHILD SUPPORT PAYMENTS.

AS WITH OTHER NATIONAL ORGANIZATIONS, WE ARE FOLLOWING THE WISCONSIN CHILD SUPPORT PROGRAM. WE ARE INTRIGUED WITH THEIR PROGRAM OF AUTOMATIC WAGE WITHHOLDING AS A PERCENTAGE OF THE OBLIGOR'S INCOME. BUT, WE RECOGNIZE THE ADMINISTRATIVE COMPLEXITIES OF TRACKING OBLIGORS, EMPLOYERS, COLLECTIONS AND DISTRIBUTIONS THROUGH SUCH A SYSTEM AND WILL CONTINUE TO CLOSELY FOLLOW THE WISCONSIN APPROACH.

MANDATING THE AFDC-UNEMPLOYED PARENT PROGRAM ON ALL 50 STATES HAS NOT YET BEEN DISCUSSED IN OUR TASK FORCE, AND HAS BEEN NOTED BY STAFF AS AN ISSUE WE MUST TACKLE. AN INCOME SUPPORT SYSTEM MUST WORK TO KEEP FAMILIES TOGETHER, AND THE AFDC-UP PROGRAM IS ONE WAY OF DOING JUST THAT.

WHILE WE BELIEVE THAT ABLE-BODIED RECIPIENTS SHOULD BE REQUIRED TO ENROLL IN WORK EDUCATION OR TRAINING, WE ALSO RECOGNIZE THE IMPORTANCE OF SUPPORTIVE SERVICES.

WE SUPPORT INCREASED FEDERAL SUPPORT FOR CHILD CARE. THE CARE MUST BE AVAILABLE WITHIN A REASONABLE DISTANCE FROM HOME OR WORK AND SHOULD BE CONTINUED ON A SLIDING FEE SCALE FOR CHILDREN OF PARENTS WHO LEAVE PUBLIC ASSISTANCE. THE TASK FORCE IS ALSO IS DISCUSSING WAYS OF INCREASING FINANCIAL INCENTIVES TO EMPLOYERS TO PROVIDE CHILD CARE FOR THEIR EMPLOYEES.

HEALTH CARE COVERAGE IS ALSO A MAJOR CONCERN. THE TASK FORCE IS CONSIDERING CONTINUING MEDICAID ELIGIBILITY FOR AN ADDITIONAL 12 MONTHS FOR WELFARE CLIENTS WHO LOSE AFDC BECAUSE OF EARNINGS FROM A JOB. WE ALSO FAVOR ALLOWING STATES AND LOCALITIES THE FLEXIBILITY TO USE MEDICAID PAYMENTS TO PURCHASE MEDICAL INSURANCE FOR A NEWLY EMPLOYED CLIENT'S DEPENDENTS WHEN THE EMPLOYER DOES NOT PROVIDE IT. WE ARE EXAMINING A PROVISION ALLOWING LOCALITIES TO REQUIRE WELFARE RECIPIENTS TO ENROLL IN A SELECTION OF MANAGED HEALTH CARE PLANS WITHOUT GOING THROUGH THE FEDERAL WAIVER PROCESS.

NONE OF THE REFORMS I HAVE DISCUSSED WILL ENSURE SELF-SUFFICIENCY UNLESS OUR CLIENTS ARE EDUCATED AND TRAINED FOR THE WORKFORCE. OUR TASK FORCE FAVORS REQUIRING TEEN PARENTS, BOTH THE FATHER AND MOTHER, TO PURSUE A HIGH SCHOOL EDUCATION OR GED. IN SOME CASES, EDUCATION MAY NEED TO BE PROVIDED OUTSIDE THE REGULAR SCHOOL SETTING. MEDICAL CARE, CHILD CARE AND OTHER SUPPORT SERVICES MUST BE AVAILABLE FOR THESE TEEN PARENTS.

JOB TRAINING AND PLACEMENT SERVICES ARE THE OTHER ESSENTIAL COMPONENTS TO THE WELFARE TO WORK SYSTEM. LOCAL ELECTED OFFICIALS AND PRIVATE INDUSTRY COUNCILS UNDER JTPA RECOGNIZE THAT THERE ARE SHORT AND LONG-TERM RECIPIENTS WITH DIFFERING NEEDS FOR SUPPORT. BECAUSE WE ARE THE LEVEL OF GOVERNMENT CLOSEST TO THE CLIENTS, WE CAN BEST DETERMINE THE PROPER MIX OF SERVICES, TARGET GROUPS, SERVICE PROVIDERS, AND THE LOCAL LABOR MARKET. FEDERAL PROPOSALS MUST RECOGNIZE THAT MANY STATES AND COUNTIES ARE ALREADY INITIATING INNOVATIVE REFORM PROGRAMS OF THEIR OWN. FEDERAL LEGISLATION SHOULD PROVIDE MAXIMUM ADMINISTRATIVE FLEXIBILITY AND FISCAL INCENTIVES TO ENCOURAGE THOSE STATES AND COUNTIES TO CONTINUE TO DEVELOP PROGRAMS THAT LINK WELFARE AND EMPLOYMENT AND TRAINING SERVICES. INCENTIVES FOR PLACING THE MORE DIFFICULT LONG-TERM WELFARE RECIPIENTS INTO JOBS ARE PARTICULARLY NEEDED.

WHILE IT HAS NOT DEVELOPED A FINAL POSITION, THE TASK FORCE HAS REACHED A CONSENSUS THAT THERE MUST BE A SYSTEM OF CASE MANAGEMENT AND CLIENT/AGENCY CONTACTS. THERE MUST BE A PARTNERSHIP BETWEEN THE COUNTY AND CLIENT WHICH HAS REALISTIC EXPECTATIONS AND GOALS TOWARD ACHIEVING SELF-SUFFICIENCY. TOO OFTEN, THE CLIENT-CASEWORKER RELATIONSHIP HAS BECOME A ROUTINE OF COMPLETING A BLIZZARD FORMS WHICH IN EFFECT PORTRAY THE CLIENT AS A PERSON WHO CHOOSES TO BE POOR AND INTENDS TO DEFRAUD THE COUNTY AGENCY.

FINALLY, I HAVE CLOSELY FOLLOWED THE CURRENT REFORM DEBATE AND NOTE THAT ALMOST EVERYONE AGREES WITH THE CONCEPTS OF REFORM, INCLUDING: EDUCATION, INCREASED SUPPORT SERVICES, JOB TRAINING, STRONGER WORK REQUIREMENTS AND CASH ASSISTANCE BENEFITS WITH POSITIVE WORK INCENTIVES. WHILE IT'S TIME TO REFINE THOSE CONCEPTS, WE ALSO NEED TO TALK MORE SERIOUSLY ABOUT THE COSTS OF REFORM, AND THE FINANCIAL RESPONSIBILITIES TO BE TAKEN BY THE FEDERAL, STATE AND LOCAL GOVERNMENTS.

I APPRECIATED THIS OPPORTUNITY TO TESTIFY. WE WILL KEEP YOU UPDATED ON THE PROGRESS OF OUR TASK FORCE AND LOOK FORWARD TO WORKING WITH YOU IN THE COMING MONTHS. I WOULD BE HAPPY TO ANSWER ANY QUESTIONS.

Mr. Pease. Mr. Breen?

STATEMENT OF PETER A. BREEN, DIRECTOR, WELFARE DEPARTMENT, MARIN COUNTY, CALIF., AND PRESIDENT, AMERICAN PUBLIC WELFARE ASSOCIATION, ALSO ON BEHALF OF THE NATIONAL COUNCIL OF LOCAL PUBLIC WELFARE ADMINISTRATORS

Mr. Breen. Thank you, Mr. Chairman. Good morning. My name is Peter Breen. I am the president of the American Public Welfare Association, which is a 56-year-old, nonprofit bipartisan association representing State and local human services administrators and 6,000 individual members, many who work with our local welfare systems. I am also a local county welfare director in Marin County, Calif., and I am here specifically today to represent my colleagues among the Nation's local directors.

On behalf of these colleagues I would like to thank you, Mr. Chairman, and the committee, for this series of hearings. And parenthetically—I guess not parenthetically—I would like to thank Representative Kennelly for the introduction of the Family Investment Act. I think that it is a significant piece of legislation toward the progress which we are all trying to obtain.

At the local level we really know the situation faced by far too many children and families living in poverty in the United States. We know firsthand the shortcomings and the strengths of our present system since we have run it at the local level.

Last year APWA conducted a survey of the local public welfare directors to assist us in our study of the ways to reduce poverty among children and their families in the United States. They said that society's responsibilities to the poor are twofold: First, to promote self-sufficiency for the poor through jobs and education; and, secondly, to provide humane services to those who need help or those who are in temporary need.

When we asked what they considered to be the most significant barriers to improving their agencies' effectiveness, our local directors cited several, including the lack of resources and the shortage of staff to meet the client needs; insufficient resources for broad-scale welfare-to-work programs; inconsistent regulations across the major benefit programs, particularly the AFDC and the food stamp program; and the ever popular welfare myths and the negative interplay between these perceptions and the uphill battle to get the resources for the poverty programs to help those which desperately need the help.

When we asked in the survey whether the current array of programs is adequate, the majority of my colleagues said no, and by a very wide margin. They recommended undertaking a national family policy and basing benefits on need and not on family composition.

The last recommendation, of course, refers to the need for two-parent coverage, a need that has been of specific concern to Mr. Ford for several years now. Fortunately, in my State we do have two-parent coverage, and I might add it is a significant benefit to those we are trying to serve.

When we asked our directors to name the most critical issues which must be addressed if poverty is to be reduced, my colleagues cited meaningful job training, education, a family focus, adequate benefits, adequate shelter, and a reduction in the number of teen pregnancies.

A majority of these concerns are reflected in the comprehensive welfare proposals made by the American Public Welfare Association last year and adopted and unanimously approved by our National Council of State Human Service Administrators and the Local Council of Welfare Administrators in September. These recommendations are contained in H.R. 1255, the Family Investment Act.

I would like to focus today very briefly on two of these proposals: the client-agency contract and case management.

The contract first commits the clients to a range of self-help efforts, and secondly, it commits the States and local agencies to support these efforts by providing the necessary services. In effect, it is a discharge plan that starts at the beginning, and it is aimed at eventual self-sufficiency and independence from the system.

Our experience as public welfare administrators has taught us that the majority of human service clients want to accept and fulfill their obligations both as citizens and as parents. Under the APWA proposal and H.R. 1255, assessing a family's resources and needs is the first step that is taken when the family enters the system. For example, what kind of daycare arrangements are available? What are the family needs? Could one or both parents benefit from parent education courses? Is there a problem involving drugs or alcohol, or some other problem calling for specific treatments? Is the family health care adequate? Are housing needs met? All of the needs that relate to both self-sufficiency and the family's strengths and stability would be taken into account.

Another key component to our proposal is the requirement that we in the human services agencies establish a case management system. These services would help as families assess their needs and resources and as the contract is implemented and monitored. A case management system is goal directed, the goal being family self-sufficiency.

Such a system assures coordination of what is now a very fragmented and a very bewildering array of programs, both to the clients and to those who have to administer them. Case management services include four major functions. Very briefly:

One, to assess with the client those factors which influence his employability.

Two, to develop an action plan based on the assessment of specific concrete agency and client activities leading toward self-sufficiency. The plan will have well-defined time lines and benchmarks; for example, completion of a GED program in 12 months, to secure court-ordered child support within 6 months or to complete a job readiness training program within 3 months.

Three, to arrange the program/services/resources necessary to carry out the plan through direct service delivery or purchase of outside necessary resources or referral within or outside the public welfare agency.

While the case manager may directly broker these services, preference is given to assisting the client to obtain the appropriate education, job training and other family support services. The goal is that the client take control of his life rather than having the agency do for him or do to him.

Four, to monitor the implementation of the contract and progress toward self-sufficiency. The monitoring, I might add, is a very, very incredibly important part. Because with monitoring, the client contract can be modified to meet both the client's needs and the resources that are available or not available to that client.

Mr. Chairman, there is one final area included in the subcommittee's suggested list of testimony topics which I have yet to discuss in any detail. That has to do with the need for continuing support services including daycare and medical coverage.

For families, as they work toward and make transitions to self-sufficiency, clearly the APWA proposals and the legislation based on the proposals envision such support services as a major component of the agency side of the contract. Unless society, represented in this case by the State and local human service agencies, is able to provide quality daycare, transportation, access to continuing health care, the mutual obligations simply cannot be enforced. We can't require work training or work of poor families unless we—society—fulfill our side of the bargain by making these activities feasible and available.

The legislation reflecting our belief in the necessity of health care during the transition to self-sufficiency also includes the extension of Medicaid services to a family with children from 1 year after the family is working and no longer receiving cash assistance.

Finally, Mr. Chairman, let me say how really proud I am to be here today, first, to congratulate you on behalf of our association and the local directors for the commitment you have made to see that there is a comprehensive welfare reform this year; secondly, I, personally, am proud to be a small part of the family investment strategy which can and will pay off in the decades to come.

Thank you.

Mr. DONNELLY. Thank you very much.

[Statement of Mr. Breen follows:]

STATEMENT OF PETER A. BREEN, MARIN COUNTY, CALIF., WELFARE DIRECTOR, AND PRESIDENT, AMERICAN PUBLIC WELFARE ASSOCIATION, ON BEHALF OF THE AMERICAN PUBLIC WELFARE ASSOCIATION AND THE NATIONAL COUNCIL OF LOCAL PUBLIC WELFARE ADMINISTRATORS

Good morning. I am Peter A. Breen. I am president of the American Public Welfare Association, the 56-year-old nonprofit, bipartisan association representing State and local human service departments and 6,000 individual members, many of whom work within our local social welfare system. I am also the Director of the Marin County California Welfare Director and Assistant Director of Health and Human Services. I am here today specifically representing my colleagues among the Nation's local public welfare directors.

On behalf of those colleagues I would like to thank you, Mr. Chairman, for this series of hearings on welfare reform. We know the dire situation faced by far too many children and families living in poverty in America today. We know the shortcomings of our present welfare system, since we run that system at the local level. We are pleased to be here because we know your committee shares our alarm that 1 child in 4 is born into poverty in America today, and that 1 child in 5 grows up in poverty. For the last 2 years my colleagues and I have been engaged in a project under APWA auspices to develop solutions to the problem of childhood poverty and have produced a series of recommendations that have been most recently expressed in H.R. 1255, introduced by Representatives Kennelly and Matsui.

Last year, APWA conducted a survey of local public welfare directors to assist us in our study of ways to reduce poverty among children and their families. Local welfare directors were asked about the obligations between society and the poor. There was virtually unanimous agreement on this issue. They said society's responsibilities to the poor are two-fold: to promote self-sufficency for the poor through jobs and education, and to provide "humane services" to those unable to help themselves or in temporary need. The obligations of the poor were referred to as "taking advantage of opportunities offered by society," to develop their own potential and become self-sufficent.

Asked what they consider to be the most significant barriers to improving their agency's effectiveness, local directors cited several, including:

RESOURCE LIMITATIONS

A lack of resources and a shortage of staff to meet client needs;

The overall reduction in federal allocations only partially offset by state and local government;

Insufficient funding to meet local emergency needs; and

Insufficient resources for broad-scale welfare to work programs.

COMPLEXITY

Too much regulation, made worse by rapid, and seemingly capricious, changes in regulations;

Inconsistent regulations across the major benefit programs, particularly AFDC and food stamps; and

Too much paperwork and paper-shuffling, not people-helping.

NEGATIVE PUBLIC PERCEPTIONS

Welfare myths—that young girls get pregnant in order to receive welfare, for example, and other stereotypes long discredited by research; and

The negative interplay between these perceptions and the uphill battle to get resources for poverty program.

The survey then went on to explore the nature of our program responses to people's needs.

Asked in the survey whether the current array of programs is adequate to the needs, the majority of my colleagues said "no." and by a very wide margin. They pointed to the working poor—those who work at low-wage jobs and cannot afford health insurance, nor receive it as a job benefit, nor qualify for Medicaid—as worst off. Directors recommended undertaking a national family policy; tuning AFDC into a family allowance; cashing out food stamps; and "basing benefits on need and not on family composition." The last recommendation, of course, refers to the need for 2-parent coverage—a need that has been a specific concern of yours, Mr. Chairman, for several years now. In my State, California, we are fortunate to have two-parent coverage.

When asked to name the most critical issues which must be addressed if poverty is to be reduced in the next 10 years, my colleagues cited:

Meaningful job training—with adequate funding, coordinated with the real-world job market, and including services to those with very minimal job skills.

Education—better opportunities, and better quality education.

A family focus—including policies that reinforce the value of marriage, and strength of families, including parental responsibility for child support both financial and as a nurturing parent.

Adequate benefits—so that families are assured of a stable economic base while they are preparing themselves for economic independence.

Housing—adequate shelter for low-income families, at prices that are affordable, shelter that when subsidized does not disappear when assistance ends.

Teen pregnancy—the reduction in the incidence of "too early" childbearing. In order to reverse the trends that will create tomorrow's dependent families.

The majority of these concerns are reflected in the comprehensive welfare reform proposals made by APWA late last year and approved unanimously by APWA's National Council of State Human Service Administrators, and the National Council of Local Public Welfare Administrators in September. The major recommendations are contained in H.R. 1255, the Family Investment Act of 1987, introduced by Representatives Kennelly and Matsui 2 weeks ago.

Following is a brief summary of those proposals:

A client-agency *Contract* upon which eligibility for benefits would be based. The contract would require actions by clients and services from agencies encompassing education, employment, and strengthened family life. Work or education toward employment would be required of parents of children over age 3; work-related or other part-time, out-of-home activity would be required of other parents. This is the means by which a maintenance system can be retooled to become a self-sufficiency system for people in need.

Aggressive enforcement of child support laws including paternity determination, viewed as a responsibiliy of both individuals and human service agencies.

A comprehensive welfare-to-jobs program in each state to provide the services necessary for families to move from welfare to self-sufficiency. This includes a strong connection between economic development and human development so that jobs are available for those now dependent on welfare.

Increased availability of affordable, quality child care to meet children's development needs and support families working toward self-sufficiency.

The creation of a Family Living Standard that would ensure a stable economic base as families work toward achieving independence. The Family Living Standard would replace benefits to families with children under the aid to families with dependent children. Food stamp, and low-income home energy assistance programs. The "FLS" would build in strong work incentives including a 25 percent earned income disregard. It would also disregard any amount received as an earned income tax credit. It would be based upon a national methodology, but applied in each state to reflect actual living costs in a given area.

Case management in our service agencies to help families assess their total needs and resources. To implement and monitor the contract, and coordinate access to needed services from multiple agencies.

I would like to focus on 2 of these proposals—the client-agency contract and case management, which are most directly the local administrator's job to implement. The strong belief of local directors is that the mutual obligations between the poor and society are embodied in the proposal for a client-agency contract and a case management approach to that contract.

An agency-client contract is designed to turn mutual good intentions into mutual obligations and expectations. The core of the contract is an employability and financial assistance plan, from which flow the specific obligations of both client and agency. The contract commits clients to a range of self-help efforts, and commits states and local agencies to support those efforts by providing necessary services. By establishing goals, timelines, and benchmarks the contract translates mutual expectations into concrete terms. It would be, in effect, a "discharge plan" aimed at eventual self-sufficiency and independence from the system.

The client's obligations under the contract includes mandatory work and education requirements. The agency provides services needed to support the family's achievement of self-sufficiency. The contract is monitored regularly through the process of case management.

Our experience as public welfare administrators has taught us that the majority of human service clients want to accept and fulfill their obligations both as citizens and parents. The contract offers a clear opportunity for successful self-support efforts. Clients are not penalized for agency failures should they occur. The contract itself sets out the performance standards for both families and agencies.

Under the APWA proposal and H.R. 1255, assessing a family's resources and needs is the first step that is taken when a family enters the welfare system. That assessment does not focus soley on the need for income support but also takes in the many other family needs and resources as well. Including the parents' educational attainment, work experience, and the family's developmental needs. For example, what sort of day care arrangements are available given the family's needs? Could one or both parents benefit from parent education courses? Is there a problem involving drugs or alcohol or some other problem calling for specific treatment? Is the family's heath care adequate? Are housing needs met? All of the "needs" that relate to both self-sufficiency and the family's strength and stability are taken into account.

Another key component of our proposal, and closing linked to the contract, is the requirement that we, in the human service agencies establish a case management system. Case management services would help us families assess their needs and resources, and as the agency-client contract is implemented and monitored. A case management system is goal-directed—the goal being family self-sufficiency. Such a system ensures coordination of what is now a fragmented and bewildering array of programs.

Specifically, case management includes four major functions:

1. To assess with the client those factors which influence the clients employability. These include education; work experience; family development, including the health status of the members of the family, support services that would enable the individual to work (child care, transportation, etc.), and strengthening the family's "informal" support systems which can promote employment; as well as family's financial resources and the need to supplement income. The outcome of this assessment would be identification of a client's strengths and potential for employment, the availability of needed services, and an agreement between the agency and the client on realistic goals.

2. To develop an action plan. Based on the assessment of specific, concrete agency and client activities leading toward client self-sufficiency. It is the client who will take the lead in developing such a plan with the agency playing a supportive role. The plan is expressed in the form of a contract that specifies the actions to be taken to implement the plan; the resources to be made available to the client; and the obligations the client and agency accept as part of this plan. The plan will have well-defined timelines and benchmarks of success (for example, completion of a GED program in 12 months; to secure court ordered child support within 6 months; to complete a job readiness training program within 3 months; etc.). It would also indicate any sanctions that will be imposed if the contract terms are not met including the proviso that the client will not be held accountable if the agency fails to provide the contract services.

3. To arrange the program/services/resources necessary to carry out the plan—through direct service delivery, purchase of the necessary resources, or referral within or outside the public welfare agency. While the case manager may directly "broker" these services, preference is given to assisting the client to obtain the appropriate education, job training, transportation, child care, health services and other family support services. The goal is that the client take control of his life rather than having agency "do" for him.

4. To monitor implementation of the contract and progress toward self-sufficiency. Through regular agency-client contact, achievement of the contract terms is monitored, and adjustments to those terms are negotiated.

The scope of services which must be arranged as part of this planning process can include:

Regular and remedial educational programs, including English as a second language, basic literacy, vocational education, graduate equivalency diploma, special tutoring;

Job orientation programs;

Skill training programs;

Family assistance and support services, including health services, counseling, child care, transportation, etc.; and

Financial support services, including identification and enforcement of child support resources, other income sources, budget management, etc.

Mr. Chairman, there is one final area included in the subcommittee's suggested list of testimony topics which I have not yet discussed in detail. That has to do with the need for continuing supportive services, including day care and medical coverage, for families as they work toward and make the transition to self-sufficiency. Clearly, the APWA proposals and the legislation based on the proposals envision such support services as a major component of the agency's side of the client-agency contract.

Unless society, represented in this case by the state and loval human service agencies, is able to provide quality day care, transportation, and access to health care, the mutual obligations simply cannot be enforced: we cannot require work training, or work, or poor families unless we fulfill our side of the bargain by making those activities feasible.

The legislation, reflecting our belief in the necessity of health care during the transition to self-sufficiency, also includes the extension of Medicaid services to a family with children for one year after the family is working and no longer receiving cash assistance.

We are talking about policies and programs which enable parents to be effective and resourceful, and which recognize the possibilities of real improvement in the way we, as a nation, deal with the heretofor intractible problems of poverty and deprivation.

In conclusion, Mr. Chairman, let me say how really proud I am to be here today. First, to congratulate you on behalf of the American Public Welfare Association and all of the Nation's local welfare directors for the commitment you have made to see that there is a comprehensive welfare reform this year. Secondly, I am proud to be a small part of a family investment strategy which can and will pay off in the decades to come.

Thank you.

Mr. **Donnelly**. I just have one quick question for Ms. MacIlwaine. Did you say in your testimony that only 6 percent of the fathers in Ohio paid child support payments?

Ms. **MacIlwaine**. Just AFDC noncustodial collection. It is about 6 percent in our county.

Mr. **Donnelly**. In the county. I am sorry.

Ms. **MacIlwaine**. We just recently enacted, though, the same law that you have in Massachusetts where the wages will automatically be garnished, and it has not been in effect enough to bring that figure out. We anticipate that that is going to make a great deal of difference.

But a part of the problem is that our court system does not place a high priority in establishing paternity and ordering child support on the noncustodial parent of an AFDC client if they are unemployed. We feel very differently about that because we know sometime between the time when that child is a baby and 18 years of age that father is probably going to be working. But we have to find a way to keep that father on a computer or track that father somehow so that a court-ordered support will be in effect whenever the father does get a job.

We have not figured out how to do that. But it is a huge problem. We are $35 million in arrears in our county in money owed to AFDC mothers from noncustodial parents.

Mr. **Donnelly**. What about in your county

Mr. **Breen**. We are doing, I would say, considerably better. We happen to be in a more affluent county in California and we are able to tap into that resource of the absent parent's income.

Mr. **Donnelly**. What percentage?

Mr. **Breen**. It is around 35 percent that we are able to recover from. But again, I think a lot of it is the economic stability and the economy—being the second richest county in the Nation, aside from one of the counties bordering Washington, I think it is Fairfax. So we have a better track record in that regard.

Mr. **Donnelly**. But 35 percent is still pretty low.

Mr. **Breen**. It is pretty low.

Mr. **Donnelly**. Yes; 65 percent of them are getting away scot free.

Ms. **MacIlwaine**. One thing you could do is look at the incentive system that the Federal Government has set up on collection. There is very little incentive to collect on an AFDC client. It doesn't pay. It costs counties a lot of local money in order to do that, and it may be an investment up front, but in the long run it would pay off if we could do it.

Mr. **Breen**. I think one of the major investments in the child support area, also it is one that I am very concerned about, is not only the financial support of the absent parent; it is the emotional and parental support that that parent has the responsibility to provide to their child as a parental role model through life, even though they may not even be the custodial parent. I think that is of major significance, and I think that eventually we should be looking very, very strongly at that.

Mr. DONNELLY. I am not so sure you can force them to be responsible.

Mr. BREEN. No. I know that.

Mr. DONNELLY. But we can force them to financially contribute.

Mr. BREEN. Yes.

Mr. DONNELLY. Mr. Pease.

Mr. PEASE. Thank you, Mr. Chairman. Thanks to both of you for your testimony.

Mr. Breen, as you know from my questioning the earlier witnesses, I am interesed in knowing what the expansion of staff costs is likely to be if we were to adopt, or if you were to adopt—at least for your county—your system of contract arrangements with clients and then your entire case management program? What do you envision would be the increase in staff required to do that?

Mr. BREEN. It is a struggle that we are working with right now. I think it is very current. The first thing that we are looking at is that we have a large number across this country and in our county of AFDC workers now who are administering a myriad of applications, 28-page applications, monitoring of clients' income, making corrections, and it is our assumption that the majority of these currently assigned AFDC staff will be able to be retrained and will be able to learn, I guess you might say the new approach.

So my estimated guess is that at the local level, just for my own county, say, if I had eight workers I might have to add two to three more workers. And this is just a very small—using a small number. I don't see it as a major significant increase over time when we look at the investment. In other words, right now I might have eight workers doing what I consider to be ultimately a nonproductive function. It is very productive in achieving a cash income transfer, but it is not productive in the sense of the long-term strategy of helping people achieve self-sufficiency.

So my sense is that once again it is an up-front investment that once we are able to bring into the program those persons who are volunteers, those persons who are ready for work and just need support services, ultimately we will be able to reduce—I am not suggesting we would save a lot of money, but I am thinking I would like to see that it be, to use a phrase that is used very much back here, revenue neutral eventually.

Mr. PEASE. I don't know if you are familiar with Public Law 94-142 or not, but it is a law that was enacted back in 1974 requiring, for handicapped students in educational settings, that there be an individual program worked out for each and every student.

Now you talk about a similar program being worked out for each welfare recipient, and I think that is probably a good idea. But it occurs to me that taking that approach and doing it right is going to require more time than filling out this 20-some-page application for somebody. I am concerned about that.

What would be your reaction if Congress were to mandate an individual contract plan for each welfare recipient and not provide any money to do it? Could you manage that at the local level?

Mr. BREEN. I think that ethically, if I had a contract, it would no longer be a contract. In other words, the contract that I would see, if indeed we are going to mandate that the client participate in certain activities and not provide the wherewithal of the activities, I think that we would continue to frustrate as we have over the years the client's attempt to become a part of the establishment, if you will, of the working-class American. I would have some real trouble with that.

Ms. **MacIlwaine**. I think if Congress mandated it we would have an easier time of implementing it if they would allow us to keep the money we save by taking clients off and use that to pump it back in the system a lot of counties would like to try that. Our county would. We think that if the State and Federal Government would allow us to keep the annual allocation to our country for benefits, for all the benefits that any AFDC client would be eligible for, and allow us to use that money to pump it back in the system, that we could make it a revenue neutral program.

Because you couldn't take, in our county you couldn't—we couldn't deal with 15,000 clients the first day. It would have to be phased in over a number of years. So as you are getting people off the rolls through their contract, you would be bringing more on, but allow us to keep the savings.

Mr. **Pease**. So you are suggesting that if you receive this year *x* millions of dollars to deal with 20,000 clients or whatever, that for a 3-year period you would receive the same amount of money and then you would have some flexibility to put that into traditional payments or——

Ms. **MacIlwaine**. Or child care benefits. Or medical benefits.

Mr. **Pease**. Or wages for work, and that sort of thing.

Ms. **MacIlwaine**. It costs us $8,000 now for a client with two children in our county for benefits, and our caseworkers tell us that they can buy child care for about $2,500 and an insurance policy with an HMO for $1,000. And if we treat each client differently, which they are, for some of our clients those are the only two things they need to work. Some of them it is only one support serivce.

If we could have the flexibility to do that and then keep the savings from the other benefits that the client would no longer need, we could pump that back into the system. We think that the flexibility has to go along with it, though.

Mr. **Pease**. Sure. About a year ago President Reagan talked a lot about welfare reform, and he put his people to a year-long study and they came out with something. And as I read the recommendations, essentially it says let's spend the next 5 years experimenting locally in different programs.

I am conscious of the phrase used by our first witnesses who said we should avoid excessive eagerness to move into new programs. I don't think that anyone could accuse the President of excessive eagerness to do this. But I am aware that it would probably be unwise to develop and force upon the entire United States a new system that isn't pretty well tested in advance.

Where do you think the reasonable midpoint is between spending the next 5 years funding a bunch of experimental programs here and there or building on what we have learned in doing some things at the national level, mandating them now? Is the President's proposal about right? Do you think it is not adventurous enough? Should we just go forward? What is your feeling?

Ms. MacIlwaine. Well, I think that we have waited long enough. We haven't had real welfare reform, if you could call it that, for about 23 years. And frankly, I think our clients deserve something better than what they are getting.

But I agree that there is such a wide range of readiness and ability to handle the kind of comprehensive reform that many of us are talking about. Even in our own State of Ohio, where in the Youngstown area I think the unemployment rate is 15 percent; in our county, in Dayton, it is 6 percent, one of the lowest in the State—we know that we have the ability now to put more of our clients to work if we had the flexibility in the program.

The way the administration's bill has come out allowing for waivers for communities to develop their own programs and do it, I like that idea because that fits our needs. We want the waivers and we are ready to go now. We have it worked out where we think we can do it now, but I hate to see it be an experiment over 5 years, and then evaluate it and then throw it out. I don't want to wait that long.

I don't know if I have answered your question. I would like to do it now, but I know that everyone isn't ready for it.

Mr. Breen. I think that my perspective, and it is a perspective that pretty much reflects the perspective of our association, that it is assumed all Americans have an equal opportunity and receive equal treatment, and I think that the demonstration projects have demonstrated that these programs are very successful to date, and that to have one State have an adequate and another State to have a totally inadequate program I think myself it would be philosophically unconscionable. I really do.

Mr. Pease. Well, one last question. A number of witnesses, including Mr. Seidman, have emphasized that the current standards for ADC payments are too low. They haven't been brought up to date in a long time, and we have responded that we realize that but that is an expensive proposition.

If we have to make a choice this year between improving ADC standards and perhaps creating a national standard on the one hand, or on the other hand putting half a billion dollars or so into welfare reform, where should we put our money?

Mr. Breen. Do you still beat your wife? [Laughter.]

That is a very difficult—it is a very, very difficult question, and I think that it probably—wow—I almost want to defer here. I think that we have to attempt to do both. I think we have to maintain and try to raise the standards of living of American citizens to a level where they can survive without having to be put in a position where they have to determine whether to eat or to pay rent.

I also believe that the reforming of the system is incredibly important, unless we want to continue it, I think that we have to look at this as a whole package. We are looking at a program that has taken 50 years to put in place. We now have to take a look at that program and we have to deinstitutionalize the program itself and those people that we have institutionalized by being on AFDC, and I think we just must move forward at whatever level we can in all areas.

Ms. MacIlwaine. I think there is a couple of other answers, too. One is, as I have mentioned, the total inflexibility of a system where maybe one client needs more of a cash payment per month to do certain things. Well, they could say to us, we have a way of getting food for our family but we really need more money to pay rent or do something else. We cannot take that person's money that they are eligible for food and move it over to a cash payment to raise their cash payment level.

The system is just totally inflexible. And my feeling is, if you gave us the flexibility and allowed us to try and serve each client's needs as worked out between the client and the caseworker, that it wouldn't be as expensive as you may think.

And I think another thing that the States' experiments have shown us in many States across the country, although it is very expensive up front to make an investment for this, the payoff in the long run is overwhelming. It has happened in the States where they have had an up-front payment and more money into welfare reform. They have taken a lot of clients off and it has saved tax money in the end.

Mr. Pease. OK. Thank you very much.

Mr. Donnelly. Mrs. Kennelly.

Mrs. Kennelly. Mr. Breen, is your Congresswoman Barbara Boxer?

Mr. Breen. Yes.

Mrs. Kennelly. Well, you are very, very well-represented here.

Thank you both for your testimony and your excellent answers to that last question. I just want to say, Mr. Breen, that I am delighted that you are here. Because down the line farther on this year, when you are sitting with your colleagues of APWA and they are wondering why welfare reform isn't going more smoothly and why Mr. Johnson isn't just whipping us all into shape, you tell them about this morning's testimony coming from various—conservatives to liberals.

We all gave the speech before we did welfare reform, and how wonderful we all want welfare reform. We are into the hard part now, trying to agree on how we get there. So I am delighted you are here so you will be able to share with your colleagues how difficult it is going to be.

Mr. Breen. Thank you.

Mrs. Kennelly. Thank you very much for being here.

Mr. Donnelly. Thank you very much.

[Whereupon, at 12:30 p.m., the hearing was adjourned.]

[Submissions for the record follow:]

STATEMENT OF THE HONORABLE DON BONKER
U.S. HOUSE OF REPRESENTATIVES
BEFORE THE
COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON PUBLIC ASSISTANCE
AND UNEMPLOYMENT COMPENSATION

February 19, 1987

Mr. Chairman, I want to thank you for this opportunity to share my thoughts on one of the most critical and challenging issues on the 1987 legislative agenda.

Most of us would agree that past and current federal income assistance programs have played a significant role in attempting to combat poverty in this country. But we can also agree that the current program contains serious flaws, the most important of which is its short-term, quick-fix approach to a very complex problem.

Offering financial assitance to families without providing for future economic independence does not and will not work. The key to a successful welfare program requires a fundamental change in focus, from welfare dependency to economic independence and family stability.

We are currently exploring this approach to public welfare in Washington state. The Family Independence Program (FIP), proposed by Governor Booth Gardner, would combine state funds with existing federal monies currently available for AFDC and related food stamp benefits, creating a single block grant. This approach would greatly reduce the cost and complexity of administering current welfare programs by incorporating a number of social service programs and financial assistance into a single entity.

Economic independence is the paramount goal of the state FIP proposal. Accordingly, Governor Gardner's plan places job training and education at the top of the list of public service programs. In the past, public assistance programs have often failed to provide the sense of personal accomplishment and dignity that goes hand in hand with having a job and making a livable wage. Absentee fathers would be given the opportunity to participate in the state's proposed training program, which ultimately could help to resolve the problem of recovering unpaid child support.

Past programs have not provided adequate child care services, an area that is of increasing importance in households where both parents work. By including this service, the Family Independence Program would provide more opportunities for family members to secure jobs.

Mr. Chairman, I have described only a few of the provisions of the Washington state Family Independence Program, but I think the proposal reflects a logical approach to welfare reform. In fact, the FIP reflects the same goals and principles as you outlined in your January 25th statement.

As the Committee moves forward on this important issue, I would encourage my colleagues to consider the Washington state proposal carefully. In particular, I would hope that any federal welfare reform package enacted by Congress would allow sufficient flexibility for these types of creative state initiatives.

We can no longer afford to subsidize families without offering them opportunities for self-sufficiency. The solution is to build up the family, give them a sense of dignity and worth, and provide them with employment opportunities that will free them from crippling economic dependence.

Again, I want to thank the Committee for this opportunity to testify.

Statement to the Committee on Ways and Means
Submitted by Jane K. Boorstein, Independent Researcher*
March 19, 1987

At the concluding session of the Governor's Conference last month, Governor Dukakis cautioned participants that the solution to welfare was prevention of its need. His three-year-old Massachusetts experiment, in helping welfare recipients to both qualify for and receive jobs, is yielding two-pronged results: a record number of people have become independent from welfare, but a record number of people are now applying for welfare. The experiment has gained a reputation in the broad low income community for its usefulness in providing training and job placement.

The very success of the experiment could become its great undoing. How can a state afford to help all who may perceive its program so rewarding that they toss aside their dead end jobs to qualify and apply for public assistance?

I found similar results -- that when low-income people perceive public assistance to their economic advantage, they may well restructure their lives to qualify and apply -- from my own research. First I conducted an ethnographic study in an effort to describe predictably appropriate behavior of an unwed mother and her extended family. Since the findings indicated that no one was earning financial support, I loomed into public assistance to find the category most likely to assist them and found Aid to Families with Dependent Children (AFDC). The ethnography describes the family's relationship with AFDC, and how it was structured to benefit from the ultimate support the public assistance would provide.

Next, together with David Daniels, a student of System Dynamics at MIT, I analyzed the results of the ethnography so my findings could be quantified and used in a System Dynamics model. This type of model, developed there by Professor Jay Forrester, is important for its capacity to explain and analyse the cause of problem behavior between organizational and human behavior. Once validated, it reproduces the historical relationship, and is thus useful for examining the effect of alternative policies. Mr. Daniels and I found that by extending the model into the future, to 2016, while continuing the present pattern of AFDC, the percentage of the American population who are poor increased.

We experimented with alternative policies to overcome poverty. Ours was a preliminary model, so we considered only those tests which we deemed most useful for developing policy insight. We did not try combining public assistance with work because in the past work strategies had failed to overcome poverty. One test, combining a superior program of education while continuing to maintain AFDC, found an insignificant decline in the number of dependents on public assistance over time . When we tried the education program without any welfare, the reduction of poor decreased very significantly, although the evidence took almost 20 - 25 years to be apparent. Thus the model confirmed that prevention of the need for welfare - by means of placing full effort on education - was the most effective means for overcoming poverty.

We assume that the model showed education to be the most effective policy for lowering the poverty level because it offered the best chance of securing earning potential and getting ahead. To understand why the effectiveness of increasing education and terminating AFDC took years to be realized, I turned to my ethnography. The children began their lives under family conditions that robbed them of more than only occassional affection. As they became teenagers with no role models who were educated, or employed, the lofty aspirations each generation had for education, a career, and family life faded. The harm AFDC caused in this family seemed evident.

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*Education- M.A. Department of Families & Communities, Teachers College, Columbia University, 1981, B.A., Department of Psychology, Hood College, 1949. Experience- Researcher for the Mayor's Office of Adolescent Pregnancy Services in NYC, Committee member (board of directors) of George School, program consultant for International Institute of Rural Reconstruction, program design for International Educational Development.

I have expressed my impressions of the complex problems the family - especially teenagers - face in an article entitled, "Viewpoint," which follows this statement.

The problems engendered by AFDC go beyond the confines of individual families or even an economic class, and affect the society at large. Secretary of Labor Brock, speaking to the Governor's Conference, said that the average age of people in the workforce will go from 35-39. Eighty percent of new entries will be women, minorities, the less well-educated, and dropouts of the nation's public school system. In other words, soon the positions available will outstrip qualified applicants.

The recent White House study, Up From Dependency: A New National Public Assistance Strategy, documents that AFDC has hurt rather than helped low-income families. Finally the President, the Governors, and legislators have conceded that the problem of the poor must be alleviated. Now we need to design a program that will achieve the goal of making people capable of earning support themselves. It must take into account accumulated knowledge of people's expected behavior. It must be designed to minimize financial and human costs. Because children, are evidentally the primary victims of AFDC, and the poorest Americans, it seems reasonable to focus a first rate prevention program on them. A child's values are formed before he or she sets foot in a public school. If prevention of poverty is to have any meaning we must give young children in their formative years the opportunity to experience love, to learn some skills and to gain self-confidence. Baby-sitting centers may permit mothers to work, but are inadequate for helping children towards achieving self-sufficiency.

Lasting results take time to be realized. A successful program will concentrate its efforts on reducing poverty and the need for welfare rather than stressing the mitigation of its effects. This strategy will pay off in a stronger America.

VIEWPOINT

AN ALTERNATIVE TO UNWED TEENAGE MOTHERHOOD

By Jane K. Boorstein*

Imagine this...

...You were born to a 14-year-old mother, raised by her and your 29-year-old grandmother. You hardly knew your father. You could never predict your mother's behavior - sometimes she cuddled you, other times, sick and tired of being saddled with you, she left you home alone. Your friends' families were similar.

Although you probably never left your community, you did watch TV, and this broadened your imagination. you dreamed of getting a good education and having a career. But among your family and friends, literally no one had managed that.

In school, your teachers spent more time keeping order than teaching. When you tried to do well in school, your peers jeered at you for studying and induced you to join them on the steets. Their constant pressure forced you to compromise your goals.

Your household and family problems also interfered with your studying. There were frequent disruptions: your mother's men friends, lack of heat in mid-winter. Money was always scarce and sometimes your family went hungry. When your mother was sick, you worried and felt you should take more responsibility and spend your time not in school but earning.

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* Reprinted from Hood College Alumna Magazine, Spring 1987 (USPS #249-480).

> Because of the many distractions, you began to get failing grades. You lost interest in school and began to look for the affection and approval you didn't get at home. You got pregnant and dropped out of school.

This scenario is played out by thousands of families in the U.S., especially in our urban centers. Girls like the one I have described lack a place to turn for help.

Teachers are often unaware of how to help or refuse to, because they fear being sued if they speak their minds. There are so few guidance counselors, that the wait to see them is long and the sessions brief.

Would she have benefited from more sex education and more family planning services? Would she have postponed having sexual relations if she had had training in ethics and moral values? Would she have opted for an abortion if it had been more accessible? Would her life have been different if she had been trained for a job or if she had been offered a job?

Specialized education and access to services are necessary, of course. But for someone in such family and community circumstances, I believe these services are little more than bandaids which fail to respond to basic needs.

As for a job, even if she had been trained for one, her chances of keeping it would have been slim. Remember, values she grew up with were incompatible with workplace expectations, and her education may have been so scant that she would have been unsuitable for advancement. The more discouraged such girls become, the further separated they become from their goals.

Family planning services and abortion are incompatible with her desire for a baby to love her. If family planning services and job training were inappropriate, what help might have prevented her from falling victim to her family and community's pattern?

> Imagine this...
>
> Imagine that in school you were in a small group with a teacher who had time for you and cared about you. Visualize how learning would have been facilitated if she had helped you understand the relevance of what she was teaching to the needs you would have in your life. How would you have been affected if she had inspired your confidence by showing you that you were learning, you were succeeding?
>
> Suppose that someone had been available to talk with about your many out-of-school concerns, who could help you to develop realistic goals and guide you toward achieving them.
>
> Imagine also that counselors helped your mother to understand the program you were enrolled in, so that she would try to be a help rather than a hindrance to you.

Mother and Grandmother, more than likely, are both high school dropouts, they may also have grown up in a foreign culture and have had little experience in how to succeed in this complex society.

Ultimately, most girls in this situation accept the life their family has been living for the past two or three generations. It is simply too difficult for a teenager to be different from her family and peers.

They lose interest in school and, seeking the affection and approval they don't get at home, become sexually active. All too many consciously decide to get pregnant, hoping to satisfy their emotional cravings by having a baby, a baby that would always need and love them. In addition, they would become esteemed a full woman.

Chances are these girls were supported by Aid to Families with Dependent Children (AFDC). This public assistance allows women support if they live with at least one under-17 child whose father is absent. It also provides what many low-level jobs do not - full health care for each family member, usually beginning with prenatal care. The mother's meager education might have made budgeting difficult, but she had little problem realizing that living on public assistance was far more reliable than living on earned income.

While at first glance this assistance program might seem necessary and reasonable in society - and it does serve as a temporary boost to some families - I believe the fact that only a single parent may qualify has very damaging effects on many households. After AFDC legislation came into being, families with married parents experiencing financial difficulties appeared to seek "a practical solution" - to break up. And as the incidence of single parent families increased, poverty increased. Children have become the primary victims - the poorest Americans. And the more the children-bearing-children pattern continues (a generation may form in only thirteen years), the more complex and widespread the negative fall-out from the pattern is becoming for all of society.

What might have helped our hypothetical youngster to avoid teenage unwed motherhood?

> ...Imagine that your friends had had the same opportunities, so that instead of standing out as different, you would instead have been in step with your peers...

In my view, this nurturing approach would help girls avoid unwed teenage motherhood. But one problem persists.

Even when such girls receive help both for symptoms and the core of their problems, premature motherhood still looms as an ominous threat. Whenever they become discouraged - as everyone does from time to time - the very existence of AFDC offers an alternative, a crutch. AFDC is there, discouraging these girls from putting forth full effort when their need is greatest. If you believe, as I do, that what would help - the nurturing approach to the core problem - would also deter today's teenagers from becoming mothers, let's consider how it could become a reality.

At present and for years to come, our nation's debt will prohibit adding significant spending for social problems. Yet despite these constraints, we continue funding AFDC as a maintenance program for people who are poor - without funding a program to prevent more from becoming poor. Congress and the administration are in the process of reappraising spending for social programs. Their choice will determine the fabric of our society. Although private organizations often fund creative solutions, these can merely be bandaids on the immense and complex problem?

[A program of pre-education for young children in their formative years would build] their skills, values and confidence. Then poverty will finally decline. The number of people will increase who will have what it takes to support themselves, to live in dignity.

[illegible]
CONSULTANT

[illegible]
CONSULTANT

[illegible]
SECRETARY

California Legislature

Joint Oversight Committee
on
GAIN Implementation

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March 17, 1987

Mr. Chairman and Members:

My name is Art Agnos and I represent the great city of San Francisco in the California State Assembly. Thank you for inviting me to address your subcommittee on the subject of work and welfare. Regrettably, I am unable to travel to Washington D.C. on the dates you have scheduled for your hearings. I am submitting the following written comments for the hearing record.

As one of its key architects, I am pleased to tell you about California's GAIN program and to bring you up to date on its implementation.

I am very proud of what we accomplished in California. I think we have demonstrated our commitment to Californians who are less fortunate. And we did so with overwhelming bi-partisan support, once again showing that all of us, whether liberal or conservative, can put aside our ideological differences to help those who need our help.

GAIN is the latest step in our efforts to eliminate poverty among our children. We started several years ago when we strengthened our child support enforcement system to make sure that absent parents lived up to their responsibilities. Subsequently, I passed a law which set minimum standards for support so that parents would pay at least as much as the state for the support of their children.

Last year, we enacted GAIN and ended two decades of debate and rhetoric about welfare reform in California. It marked the end of a system that has fostered dependency, and the beginning of a comprehensive effort to help those who can work go to work.

GAIN is a new, bold, and innovative program. It offers the most comprehensive blend of programs ever assembled in one state to help the poor. It is designed to offer solid opportunity, real hope and dignity, centered around a fundamental human need for honest work.

I believe GAIN offers a model for the nation and a unique opportunity for you, as national policy makers, to learn from California's experience.

I say this for several reasons.

1st. GAIN includes all of the elements experts around the country say are needed for successful welfare reform programs -- child care, supportive services, education, and training.

2nd. GAIN is targeted at long term welfare recipients. For too long we have had programs that have focused our energies and our efforts on people who would have helped themselves without government's intervention.

3rd. California faces circumstances which the federal government is likely to face when implementing any national welfare reform program. California relies on 58 counties to implement the program that, like the 50 states, have very different problems and characteristics.

Yet GAIN is flexible enough to let each county tailor their GAIN program to their local circumstances -- to their local labor market needs, their welfare client characteristics, and their local resources.

4th. California is committed to a rigorous and scientific evaluation of our efforts. We have built random assignment into our implementation efforts so that we will be able to tell whether or not GAIN makes a difference in our fight against welfare dependency.

5th. Most important, it is happening. GAIN is gradually being implemented in our counties. Since last July ten counties have begun operations. Their budgets alone total $52 million and they expect to serve 37,500 participants during their first year of operations.

By law, all counties must begin their GAIN programs no later than September of 1988 but they may phase-in their caseloads over a two year period. By 1990, when GAIN is fully operational, California will be spending more than $400 million a year to help approximately 230,000 AFDC recipients find jobs.

To put this into perspective, California will spend more each year than the national WIN appropriation during its peak years.

WHAT IS GAIN?

GAIN is the product of the nation's best ideas on welfare reform. We learned from the experiences of other states, notably Massachusetts, Pennsylvania, and West Virginia. We listened to the best ideas put forth by liberals and conservatives. And we used all of this information to shape a program that delicately balances the needs of society with those of the individual.

GAIN encompasses the single parent who is on aid (AFDC-FG) and the principal wage earner of a needy two parent family (AFDC-U). California is one of only eighteen states that offer the AFDC-U program.

GAIN takes the concept of social obligation -- previously tossed around as a euphemism for client obligation and more accurately defines it to acknowledge that obligation cuts two ways. Clients must participate but the state must provide the services necessary to help them find and maintain employment.

On the one hand, GAIN requires the state to provide a vast array of services, essential to any welfare reform effort. These services must include child care, transportation, and other supportive services, remedial education, and other education and training designed to help a person find a job.

On the other hand, GAIN is mandatory--but this does not mean that it is necessarily punitive. Rather than using intimidation or threats, it provides an opportunity, a second chance for its participants to become productive members of their community.

Instead of pitting David against Goliath, GAIN places clients on an equal footing with the welfare office. Clients participate in decisions affecting their lives. Counties must listen to participants, treat them as responsible individuals, allow them to make their own choices.

The law spells out how this will be done. (For the record, I am attaching a detailed explanation of how GAIN works. However, I would like to briefly summarize what the law says.)

According to the GAIN statute:

- Counties shall provide education and employment training services necessary to help participants find and keep a job.
- Counties shall pay for child care at the local market rate.
- Clients enter into a legally binding contract that outlines what services they will receive and what their obligations are under the program.

- Each person makes a choice about the mix of education, training, and child care arrangements that best suits her needs.

- The county cannot dictate a person's employment plan. If the county and a client are unable to agree on the results of a professional assessment, the dispute is settled by an impartial, third party arbitrator.

- Employment and training programs must be designed to meet local employment needs.

- Training programs will be held accountable for placing people in jobs that will last. GAIN will not pay to simply hand out certificates--a poor substitute for a job.

- If funding for GAIN is insufficient, services shall not be reduced. Instead, fewer people will be required to participate, targeting scarce resources to those who need it most.

- Mandatory workfare is not punitive or make-work. Workfare placements must be in the area for which a person is trained. This will help persons maintain their newly acquired job skills, remain active in the labor market network, and provide job references to prospective employers.

- Workfare placements cannot displace regular employees. GAIN includes language that prevents using workfare placements to replace paid employees. This language was written by representatives of unions who feared that workfare slots would result in the loss of existing jobs.

- There are sanctions but they are more humane, more appropriate to the degree of noncompliance than required by federal law. They are designed to give people a second chance, not simply add to a person's misfortune.

  In GAIN, persons who fail to make satisfactory progress in their education or training may work their way back into an education or training program by working in a basic workfare assignment.

  Persons who, for the first time, refuse to participate without good cause will be placed on vendor payments for up to three months. Vendor payments limit the person's discretion to spend but does not penalize the children who are the ultimate victims of their parent's refusal to participate.

Federal fiscal sanctions, which cut off aid, apply only if someone still refuses to participate after three months of vendor payments, or if someone refuses to participate for a second time.

GAIN IMPLEMENTATION

Our implementation efforts are just beginning. While ten counties have begun operating GAIN, some have been doing so for less than three months. Therefore, I don't have numbers to show how many people have found jobs, how long they have been there or how much California has achieved in grant savings.

This will become available as we have more experience and as we begin our evaluation.

However, I have some snapshots which I would like to share with you.

- The need for remedial education is much greater than we ever anticipated. Fresno County, which was the first county to start its GAIN program, reports that half of its new applicants and two-thirds of its continuing caseload need some form of remedial education. Client surveys from other counties show that Fresno's experience is not unusual.

- Job clubs are an inexpensive and effective way to help people who do not need remediation find jobs. Between thirty and forty percent of those who participate in job clubs find employment. This experience is similar to that of other states which have job clubs.

- Many AFDC-U clients are men who have worked all of their adult lives and suddenly find themselves unemployed due to factory shut downs, company closures or relocations, etc. and with unemployment insurance benefits exhausted. In these cases, GAIN is working with another innovative California program -- the Employment Training Panel. This program, funded by employers who pay a portion of their payroll tax into a training fund, provides retraining and job placement for displaced or potentially displaced workers.

- Although the program is mandatory for mothers with children over six, counties are experiencing a high rate of volunteerism from mothers with children under six. In counties where the program has started, there has been a concerted effort to sell the program as an opportunity. Consequently, there is a high degree of acceptance by both AFDC recipients and the public at large.

- The mandatory nature of the program is an asset for many long-term recipients. The counties point to case after case of women who were afraid to come in the door, who would not have volunteered because they were unwilling to risk another failure. Yet, their attitudes, demeanor, and dress change after they go through the job clubs. They learn they can succeed, find a job, and regain their self esteem.

- Workfare, as California has redefined, is seen as a positive component, not a make-work requirement. Napa County, who was initially opposed to workfare, is finding that using workfare as a work experience component helps their newly-trained graduates learn about the world of work, provides them with employment references, and keeps them active in the labor market.

INTANGIBLE BENEFITS

There have been other benefits to GAIN which are unquantifiable. We see new hope in a demoralized welfare system, improved coordination among different agencies, and innovative thinking that focuses on problem solving.

Let me give you some examples.

- As Chairman of the Joint Oversight Committee for GAIN Implementation, I have heard testimony around the state from county welfare employees who tell us that one of the best things about GAIN is the change they see in peoples' attitude. For the first time in a long time, workers feel that they will be able to help people, not simply give them their checks and tell them to stay out of trouble.

- I have also heard time and time again that GAIN has resulted in improved coordination of services. Los Angeles county, which won't be implementing its GAIN program until next year, felt that having the law on the books has already paid off--during their GAIN planning process they have discovered resources in the community they did not even know existed.

  As one GAIN coordinator put it, "We have been talking to professionals who we've never talked to before. We're all sitting down at the same table--educators, employers, welfare workers, trainers--to tackle one problem. That's a powerful combination."

- Finally, counties feel the freedom to shape a program that is going to meet their individual needs and they are coming up with innovative solutions to particular problems.

One rural county has no public transportation so it is exploring van pools. Others pay for minor auto repairs so that people can get to and from work or training.

Another county which relies heavily on agriculture recognizes that its economy will not generate enough jobs for GAIN trainees. Therefore, they are exploring a relocation allowance for people who are willing to move to the more urban areas of the state.

HOW CAN THE FEDERAL GOVERNMENT HELP?

o By adopting consistent policies that strongly support all efforts to help AFDC recipients become self sufficient.

A recent report by the General Accounting Office (GAO) on Work and Welfare amply documents what it calls "a patchwork of administrative responsibilities and lack of overall program direction".

It recommends that program authorizations for the different work and welfare programs be consolidated and funding levels made consistent across programs without reducing state flexibility.

In California, for example, we are struggling with the effects of this patchwork. As I mentioned before, there is a great need for remedial education. Although the WIN program would allow us to pay for remedial education and the accompanying support services, funds are so limited that the state is paying most of these costs. This is because remedial education is not an allowable activity under the regular AFDC work programs funded by Title IV-A of the Social Security Act.

Therefore, I fully support the GAO's recommendations.

o By allowing the states to share in all of the savings associated with serving long-term welfare recipients.

The federal government must recognize that there are differences among welfare recipients and that helping long-term recipients will require a significant investment up-front in order to get the expected pay-back in savings.

Senator Kennedy has proposed a bonus payment program in the JTPA program for states that serve long term welfare recipients.

I fully support his proposal. I suggest, however, that this bonus should be expanded beyond JTPA and allow the states to share in the actual grant savings that are realized from their efforts with long term recipients.

I say this because GAIN places an emphasis on serving long term welfare recipients. The JTPA system alone is unable to meet our needs and we expect to use all available resources for this purpose. Thus, we expect to enlist the aid of our adult education system and our community colleges, most of which are funded by the state.

If we are successful in our efforts, the state will recoup some of its costs from grant savings. However, as the MDRC evaluation of our San Diego program showed, it is the federal government who is the principal beneficiary of program savings because of the sharing ratios of costs associated with the various programs.

o By giving the states the flexibility they need to operate their programs.

For example, we believe that the "100 hour rule" discourages unemployed fathers from accepting part-time employment while on aid. This is because current federal policies require that their family's grant be discontinued if they work more than 100 hours a month. As a result, there is a disincentive for heads of households to take entry level jobs because they are likely to bring home significantly less than they would receive from AFDC.

Fresno county requested a waiver of this rule in order to demonstrate that it is counterproductive to GAIN's goals.

They have reason to believe this.

Under our Refugee Demonstration Project (RDP), which serves time-eligible refugees, we have waived the 100-hour rule and found that refugees accept entry level jobs and supplement their incomes with a grant. However, as soon as they become time-expired and no longer eligible for RDP, they quit their jobs and go back on aid full time. We, therefore, lose the savings associated with the reduced grant, and refugees lose valuable on-the-job experience that would assist them in their climb up the career ladder.

Unfortunately, the Department of Health and Human Services denied Fresno's request for the demonstration.

Thank you for the opportunity to submit written testimony to your subcommittee.

DELTA SIGMA THETA SORORITY, INC.,
A Public Service Sorority
1707 New Hampshire Avenue, N.W., Washington, D.C. 20009 • (202) 483-5460

March 23, 1987

The Honorable Harold Ford, Chairman
Subcommittee on Public Assistance
and Unemployment Compensation
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Dear Congressman Ford:

Delta Sigma Theta Sorority, Inc. is pleased to have the opportunity to present its views, concerns and suggestions that address crucial proposals for Welfare Reform. The Sorority has 125,000 members, 725 Chapters in the U.S., Africa, Europe, the West Indies and the Caribbean. Founded in 1913 at Howard University in Washington, D.C. the membership is comprised of college educated women in undergraduate chapters and alumnae chapters. Delta Sigma Theta Sorority, Inc. is a non-profit public service organization that has over the past 74 years consistently devoted its effort toward improving the quality of life at home and abroad.

More specifically, at this particular time, we are submitting our positions on certain items of interest and concern to the Subcommittee on Public Assistance and Unemployment Compensation regarding the Aid to Families With Dependent Children (AFDC) program.

- State Operational Plans for Job Placement

A review of a current Bill, HR 1255 does not explicitly state a proposed mechanism for insuring and/or requiring states to locate jobs for AFDC recipients. The current language in this Bill gives states flexibility in designing their own programs. Delta Sigma Theta Sorority, Inc. submits that uniform guidelines are developed to insure that states engage in identifying meaningful and long-range career oriented jobs for clients - not jobs that

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Dr. Marcella Peterson
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will merely remove individuals from the welfare rolls with no potential for equipping individuals to continue to be employed in positions that have no real potential for long-term self-sufficiency.

The organization also takes the position and strongly encourages the inclusion of an extensive plan to incorporate private sector jobs in the employment program.

Delta Sigma Theta Sorority, Inc. is not opposed to the payment of a minimum wage standard for individuals who are placed in jobs, however the organization strongly believes that the current minimum wage be increased and indexed to current cost of living for the participants in employment and jobs training activities.

- Educational Requirements for Welfare Recipients

It is the consensus of Delta Sigma Theta Sorority, Inc. that educational and vocational training should be mandatory for clients. These programs must however provide appropriate basic education, job counseling, comprehensive training for developing marketable skills as well as training for jobs that are available and futuristic. Training must result in employment that pays an adequate income to enable participants to be self-sufficient on a long-range basis. It is critical that appropriate and adequate job training and a related career counseling component be included as a client service.

- Requirements Governing Work/Employment for AFDC Recipients

HR 1255 proposes contractural obligations between welfare recipients and welfare workers. It further would impose sanctions if obligations are not met as agreed upon by clients and welfare workers. Firstly, Delta opposes the proposal that work be mandatory for all clients, especially under the constraints of the proposed contractural stipulation. Secondly, it is our position that those who for various reasons will have the most difficulty in finding work and those who possess skills or have had training and would be able to re-enter the job market, given necessary support services (e.g. day care, transportation subsidies and an opportunity to update and refine skills, if necessary) be given priority.

Since it is obvious that recipients' needs vary dependent upon their individual physical and mental health status, we support a case by case management approach by human service agencies.

Support Services

Day care services are critical for welfare recipients to make the transition to the world of work. Factually speaking the lack of adequate day care has been cited by participants in Delta's Single Mother's Program as the strongest barrier mothers and welfare recipients face in securing and keeping jobs. Thirdly, strengthening child support enforcement is imperative. A great percentage of mothers receiving AFDC benefits do not receive the court ordered payments from absent fathers.

Summary

Realistically, Delta acknowledges that job training and employment has many merits for AFDC recipients and has great potential for enabling those dependent on welfare funds to become self-sufficient. With the institution and implementation of critically needed safeguards, as outlined in this statement it is necessary to push for a reform of America's current welfare system. However, it is Delta's contention that a combined effort and serious commitment of resources from federal, state and local government agencies is necessary. Involvement from the private sector, input from community-based organizations and agencies, and especially those whom the welfare reform initiative is designed to serve is essential to such an endeavor.

Sincerely,

Hortense G. Canady

Hortense G. Canady
National President

HGC:mbs

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March 5, 1987

The Honorable Harold E. Ford
Chairman
Subcommittee on Public Assistance
and Unemployment Compensation
Committee on Ways and Means
B317 Rayburn House Office Building
U. S. House of Representatives
Washington, D. C. 20515

Dear Harold:

I write with regard to the Subcommittee's hearings on welfare reform and request that you include this letter in the record of the hearings.

The Subcommittee of the House that I chair has jurisdiction over the Nation's territories and commonwealths, among other matters. Your Subcommittee has jurisdiction over some of the few remaining programs which discriminate against your 3.5 million fellow Americans in these insular areas.

My purpose in writing is simple: As you consider necessary reforms of the Nation's welfare system, please consider reforming its current treatment of the Americans of the U. S. insular areas as second-class citizens.

The current inequities of the system are cruel in their failure to meet pressing human needs. The important policy implications of this inequitable treatment, however, go beyond this failure.

These implications include sending a strong message to the insular areas that their political relationships with the United States are unfair and ought to be changed; compelling needy islanders to move to the States where they can receive assistance equal to that provided other Americans; and undermining the U. S. image in the strategic Caribbean and Pacific regions through discrimination against the American minorities who live in the Nation's insular borders.

I ask that any proposals to reform the welfare system or portions of it that are reported from the Subcommittee provide for more equitable treatment of the Americans of the Nation's insular areas. My request follows the approval of the Committee on Interior and Insular Affairs of the bipartisan recommendations of the Subcommittee that I chair that such reforms be funded in fiscal year 1988.

The Committee's action recognizes that the need for equitable treatment of the insular areas in these programs is so important as to be worth the relatively minor budget impact such reforms would have. It also, I believe, recognizes that the current inequitable treatment is based upon a sad accident of history: The pressures caused by the federal deficit and changes in federal spending policies became great soon after self-government developments replaced aspects of territorial administration in most of the U. S. insular areas.

The insular areas are finally being treated equitably under most federal programs. So, it is ironic that needy insular Americans are discriminated against in the federal programs intended to provide essential assistance to the most needy Americans.

Let me briefly describe the inequities of the present system.

Guam, Puerto Rico, and the Virgin Islands:

Although the territories of Guam and the Virgin Islands and the Commonwealth of Puerto Rico participate in the Aid to Families with Dependent Children program, they are subject to a ceiling on available matching funds rather than receive an open-ended matching grant. The federal payment not only limits AFDC assistance, it covers the programs providing aid to the aged, blind and disabled as well. These programs were, of course, replaced by the Supplemental Security Income program elsewhere in the Nation but continue in these insular areas.

The caps on federal contributions for AFDC and the adult assistance programs for these insular areas were inadequate when they were set in 1979. Inflation since then has meant that the programs can only provide a fraction of the amounts needed to provide assistance to the insular needy on a level that would be equitable with the assistance provided needy Americans elsewhere.

Information provided by the Congressional Research Service indicates that just to keep pace with increased costs, the fiscal year 1988 payments should be increased from $3.3 million to $4.8 million in the case of Guam; $2.4 million to $3.5 million in the case of the Virgin Islands; and $72 to $104 million in the case of Puerto Rico.

I urge that reforms of the application of these programs to Guam, the Virgin Islands, and Puerto Rico start by adjusting the current cap for inflation. They should include, however, removing the caps altogether or establishing the caps at a more reasonable level for the AFDC program. They should also include extension of the Supplemental Security Income program, as the House has it passed before.

American Samoa and the Northern Mariana Islands:

Neither the territory of American Samoa nor the Commonwealth of the Northern Mariana Islands participates in the Aid to Families with Dependent Children program. The Supplemental Security Income program has been extended to the Northern Mariana Islands but not American Samoa (or, as I have noted, the other U. S. insular areas.) The inequitable treatment of American Samoa under both programs and the inequitable treatment of the Northern Mariana Islands under the AFDC program should be rectified.

Medicaid and Nutrition Programs:

As you know, the inequitable treatment of the U. S. insular areas in the programs discussed above is mirrored by the inequitable treatment of all of these areas in the Medicaid program, where an unrealistic cap also limits the federal contribution, and, in a couple of cases, in federal nutrition programs as well. These examples of unfair treatment, as well as those in the AFDC and S.S.I. programs, mean that there is no "social safety net" at all in areas of large minority populations where the per capita income is a fraction and the jobless rate is generally higher than the Nation as a whole.

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The Honorable Harold E. Ford
March 5, 1987

AFDC-UP:

Finally, as you will recall from consideration of the Omnibus Budget Reconciliation Act of 1986, the proposal to extend AFDC to two-parent families in which the principal earner is unemployed could worsen the inequitable treatment of the U. S. insular areas in the AFDC program if the increased costs are not exempted from the caps on AFDC and Medicaid assistance to the territories and commonwealths. I very much support the AFDC-UP proposal and its application to the U. S. insular areas. I also urge, however, that its costs not be fully imposed on insular governments because of AFDC and Medicaid caps which are well below the otherwise authorized federal share of program costs in the insular areas.

Many of your fellow Americans in the U. S. insular areas join me in the fervent hope that your initiatives to reform the Nation's welfare system will do away with, or at a minimum substantially reduce, the current system's discrimination against the needy of our islands. I, and the staff of the Subcommittee that I chair, stand ready to work with you, and the staff of the Subcommittee that you chair, to rectify this inequity.

Sincerely,

RON de LUGO
Chairman
Subcommittee on Insular
and International Affairs

cc: Members, Subcommittee on
Public Assistance and Unemployment Compensation

RdL/ng

Statement of:

James Garbarino, Ph.D., President
and
Barbara T. Bowman, M.A.
Director of Graduate Studies

Erikson Institute
Advanced Study in Child Development
25 West Chicago Avenue
Chicago, Illinois 60610
(312) 280-7302

Mr. Chairman:

We are pleased to submit this statement for the record you are compiling on Welfare Reform. Erikson Institute is a private graduate school and research center specializing in issues of early childhood education and development. The Institute has been providing education and training to professional and paraprofessional child care providers for more than 20 years.

Every discussion of Welfare Reform includes the need to provide some kind of child care for working parents. We would like to suggest that our past experience tells us that trained caregivers give better care. In addition, children whose parents are poor are already more at-risk for school failure, and thus, are in even greater need of trained caregivers. Our statement concludes therefore that however you proceed with your important goal of increasing the supply of childcare, it is essential to ensure that the supply of trained caregivers and the wherewithal to provide that training be included in your proposal.

Why do we as a society need well-trained child care providers? Proper training for caregivers is essential for two reasons. First we know that how adults take care of children affects how they develop. In day care centers, preschools, and in private homes ("family day care"), non-parental adults care for millions of children each day. More than 50 percent of all children under six spend a significant proportion of their time in the care of someone other than their parents. If current trends continue, that figure may exceed 80 percent by the year 2000. The last 30 years have seen an explosion of knowledge about how and why children develop in particular ways and why and how under some circumstances development is delayed or distorted. All caregivers, parents included, have benefitted from this knowledge. They have learned, for example, that children develop more social affiliative behavior when treated with non-punitive control; that early story reading facilitates childrens acquisition of literacy skills; that caregiver attachment is essential to development and should be encouraged.

The second reason for training of child care providers is to equip them for the challenges they face. Parents have a special relationship with their children, a relationship which energizes their concern, vigilance, and sensitivity to their children's needs. Caretakers have a time limited responsibility for many children from families with different child rearing methods, expectations and values. Knowledge of child development, professional skill, and ethical commitment enables caregivers to provide service to this diverse population and helps compensate for skills and interest that may come more naturally to parents.

Child care providers need training in at least four areas. First, they need to know about normal child development. With this knowledge they can make up for not having specific information about each child and establish realistic and appropriate expectations for children in their care. Second they need to know about problems, in development. Trained child care providers can perform a service to families and to their communities through early detection of problems. Early detection increases the likelihood of successful remediation. Emotionally invested parents may be less able to see their children objectively and may even deny the existence (or exaggerate) emergent problems in their child. Both these rationales for training child care providers are of heightened importance when children come from high-risk families, and child care is intended as an intervention to protect the child and improve the chances for normal growth and development.

A third reason why child care providers need training is to understand themselves better. Self knowledge can help them appreciate better how children experience being cared for. It can help child care providers recognize how their own feelings affect the way they perceive and interpret the behavior of children in their care. Children need to learn self acceptance and trust. Training can help a child care provider be a good role model for children.

Fourth, child care providers need training to understand a wide range of "management issues." These include ethics (e.g. "When do I report suspicion of child abuse?"), budgeting ("How much do I charge?" "How much should I get paid?"). health ("How do I prevent the spread of disease among children?") and group dynamics ("How do I integrate new children into an existing group?" "How do I deal with families from different ethnic backgrounds from my own?").

Our society needs competent, motivated, nurturant, career-oriented child care providers to adapt to the dramatic changes in family composition and work, changes that have emerged in the last 20 years. To do the job well, these child care providers need high quality, intensive training.

STATEMENT

OF

HONORABLE WALTER E. FAUNTROY
(D-D.C.)

MR. CHAIRMAN AND MEMBERS OF THIS COMMITTEE, AS THE LONE CONGRESSIONAL REPRESENTATIVE OF THE 700,000 TAXPAYING, YET DISENFRANCHISED CITIZENS OF THE DISTRICT OF COLUMBIA, APPROXIMATELY 19% OF WHOM ARE LIVING AT OR BELOW THE POVERTY LEVEL WITH 53,718 CURRENTLY RECEIVING AFDC; I AM PLEASED TO SUBMIT THIS TESTIMONY TODAY ON AN ISSUE WHICH IS BOTH COMPLEX AND CONTROVERSIAL--THE REFORM OF THE AMERICAN WELFARE SYSTEM: A SYSTEM WHICH IS INDISPUTABLY IN NEED OF REVIEW AND RESTRUCTURING.

AMERICA's COMMITMENT TO THE POOR BECAME FEDERAL POLICY DURING THE DEPRESSION OF THE 1930s AND WAS RE-EXAMINED, EXPANDED AND REAFFIRMED DURING THE 1960s, AT A TIME WHEN 22.4% OF OUR POPULATION WAS POOR; WITH MORE THAN ONE HALF OF THE AFRICAN-AMERICAN POPULATION SUBSISTING BELOW THE POVERTY LEVEL. SPURRED IN BOTH DECADES BY SOCIAL UNREST AND A MASSIVE HUMAN OUTCRY, THE FEDERAL GOVERNMENT ACKNOWLEDGED ITS OBLIGATION TO ENSURE THAT THE BASIC HUMAN NEEDS OF ALL ITS CITIZENRY WERE MET, AND THUS, ELEVATED FEDERAL FUNDING FOR HUMAN NEEDS PROGRAMS TO A NATIONAL POLICY PRIORITY. THESE PROGRAMS WERE DESIGNED TO ENSURE THAT THE BASIC NUTRITIONAL, CLOTHING, HEALTH CARE, HOUSING AND ENERGY NEEDS WERE MET FOR THE AGED, DEPENDENT CHILDREN, THE PHYSICALLY AND MENTALLY IMPAIRED, AND VICTIMS OF UNEMPLOYMENT, INJURY, PERMANENT DISABILITY, ILLNESS OR SOCIAL DYSFUNCTION. BUT THE SYSTEM HAS FAILED WOEFULLY.

THE SYSTEM, WHICH WAS DESIGNED TO CONTRIBUTE TO A MINIMUM LEVEL OF SUBSISTENCE, HAS EVOLVED INTO A QUAGMIRE OF MORE THAN 200 PROGRAMS WHICH ARE FUNDED, AT LEAST IN PART, BY THE FEDERAL GOVERNMENT. UNFORTUNATELY, IT REACHES ONLY A FRACTION OF THOSE IN NEED. NEARLY 42 MILLION

AMERICANS ARE UNDEREMPLOYED, ILL-HOUSED, MALNOURISHED, OR LIVE AT OR BELOW THE POVERTY LEVEL, YET ONLY 11 MILLION PEOPLE, MOSTLY WOMEN AND CHILDREN, RECEIVE AFDC ASSISTANCE. THE OTHER 23 MILLION LIVING BELOW THE POVERTY LINE CONTINUE TO SUFFER THE DEPRIVATION, DEHUMANIZATION AND STRESS OF POVERTY UNABETTED BY FEDERAL PUBLIC ASSISTANCE. AMONG THE 23 MILLION IMPOVERISHED AMERICANS NOT RECEIVING FEDERAL ASSISTANCE ARE THE AGED WHO ARE INELIGIBLE FOR SOCIAL SECURITY; THE SICK AND THE DISABLED. SOME OF THESE PERSONS NOT RECEIVING ASSISTANCE ARE ALSO VICTIMS OF THE UNEMPLOYMENT ASSOCIATED WITH PLANT CLOSINGS, FARM FORECLOSURES, SMALL BUSINESSES GOING BELLY-UP, THE GENERAL TRANSFORMATION OF OUR ECONOMY FROM SMOKE STACK INDUSTRIES TO DIVERSIFIED SERVICES, AND OTHER EPISODIC UNEMPLOYMENT. INDEED, 1/4 OF OUR POPULATION EXPERIENCES EPISODES OF POVERTY. OTHERS AMONG THE 23 MILLION LIVING IN POVERTY WITHOUT PUBLIC ASSISTANCE ARE VICTIMS OF UNDEREMPLOYMENT: BETWEEN 1979 AND 1984, 8 MILLION NEW JOBS WERE CREATED, HOWEVER, 58% OF THESE JOBS PAY ANNUAL WAGES OF LESS THAN $7,000. ALMOST A QUARTER OF THESE JOBS WERE PART-TIME, WHICH PEOPLE TOOK BECAUSE THEY WERE UNABLE TO FIND FULL-TIME EMPLOYMENT. NINE (9) MILLION PEOPLE LIVING BELOW THE OFFICIAL POVERTY LEVEL WORK PART OF THE YEAR.

THOSE FORTUNATE ENOUGH TO RECEIVE PUBLIC ASSISTANCE UNDER OUR CURRENT SYSTEM, BARELY RECEIVE SUBSISTENCE LEVELS OF SUPPORT. THE COMBINED AFDC/FOOD STAMP BENEFITS CURRENTLY AVAILABLE TO FAMILIES WITH THREE OR FOUR MEMBERS, ARE BELOW THE POVERTY LEVEL IN ALL FIFTY STATES. IN 22 STATES, THE COMBINED BENEFITS ARE LESS THAN 70% OF THE POVERTY LEVEL.

ONE OF THE HIGH PRICES FOR THIS PALTRY ASSISTANCE IS THE DISINTEGRATION OF THE NUCLEAR FAMILY. FAMILIES ARE OFTEN FORCED INTO THE BLEAK HOBSON'S CHOICE OF CONTINUING TO LIVE AS A UNIT IN ABJECT POVERTY, OR

DISSOLVING THE UNIT IN EXCHANGE FOR MUCH NEEDED, THOUGH INADEQUATE ASSISTANCE. OTHER NET EFFECTS OF THIS SYSTEM ARE DEPENDENCY AND A LOSS OF SELF ESTEEM AND DIGNITY. THE SYSTEM LEAVES MANY WHO COULD BECOME SELF-SUFFICIENT WITHOUT THE HOPE OF MOVING FROM THE ENTITLEMENT ROLLS TO THE PAY ROLLS.

CLEARLY, SOMETHING IS SERIOUSLY AMISS. THE QUESTION IS, WHAT DO WE DO ABOUT IT, AND WHOSE RESPONSIBILITY IS IT TO MAKE THE REQUISITE CHANGES.

I SUBMIT THAT THE FEDERAL GOVERNMENT HAS THE BASIC RESPONSIBILITY AND MUST INDEED CONTINUE TO SEEK AND PROVIDE SOLUTIONS FOR THE ECONOMIC PROBLEMS THAT CONFRONT OUR CITIZENRY. THE US CONSTITUTION GUARANTEES EACH OF US THE RIGHT TO LIFE, LIBERTY, AND THE PURSUIT OF HAPPINESS--NONE OF WHICH IS WITHIN REACH IF WE DO NOT HAVE ACCESS TO BASIC, MINIMAL SUBSISTENCE.

AS IN THE '30s AND 60's, THE RATE OF POVERTY AND ITS ATTENDANT ILLS IS ALARMING. THOSE WHO ARE POOR IN AMERICA TODAY ARE NOT ONLY MANY, BUT VARIED. THEY ARE WOMEN AND CHILDREN, THE AGED, THE UNDEREDUCATED, THE PHYSICALLY AND MENTALLY IMPAIRED, AS THEY HAVE BEEN OVER THE YEARS. BUT, TO THESE SUFFERING HAVE BEEN ADDED A GROWING NUMBER OF TRAINED, DISPLACED AND DISCONNECTED WORKERS. NOTABLY, THE GREATEST INCREASE IN POVERTY BETWEEN 1979 AND 1986 WAS AMONG MARRIED COUPLE FAMILIES, NOT SINGLE-PARENT, FEMALE-HEADED FAMILIES AS MANY BELIEVE. 3.13 MILLION ADDITIONAL MARRIED COUPLE FAMILIES FOUND THEMSELVES LIVING IN POVERTY; 2.19 MILLION ADDITIONAL SINGLE-PARENT HEADED FAMILIES WERE LIVING BELOW SUBSISTENCE LEVEL.

BETWEEN 1979 AND 1983, 9.2 MILLION AMERICANS WERE ADDED TO THE POVERTY

ROLLS. SLIGHTLY MORE THAN 1/2 WERE TO BE FOUND IN WHITE, MALE HEADED FAMILIES. INDEED, 70% OF ALL POOR ARE WHITE. THESE FIGURES MUST NOT, HOWEVER, OBSCURE THE FACT THAT AFRICAN-AMERICANS, WHO CONTINUE TO BE DENIED EQUAL OPPORTUNITIES TO PURSUE THEIR AMERICAN DREAM, REMAIN DISPROPORTIONATELY POOR. WHILE IN 1985, THE NATIONAL POVERTY RATE WAS 14%, 31% OF THE AFRICAN-AMERICAN COMMUNITY WAS POOR; ABOUT 1/2 OF ITS YOUTH WERE LIVING IN POVERTY. 15% OF AFRICAN-AMERICANS WHO WERE FORTUNATE ENOUGH TO HAVE EMPLOYMENT WERE STILL SUBSISTING BELOW THE POVERTY LEVEL.

WHY DO WE CONTINUE TO HAVE THESE STAGGERING POVERTY STATISTICS AFTER YEARS OF HUMAN NEEDS ASSISTANCE, AND WHAT CAN WE NOW DO TO END THIS SEEMINGLESS ENDLESS CYCLE. THE ANSWER IS NOT EASY, FOR ONE CHARACTERISTIC OF OUR ECONOMIC SYSTEM IS A SERIES OF CONTRACTIONS AND EXPANSIONS OF THE JOB MARKET. CONTRACTIONS ARE BECOMING INCREASINGLY MORE FREQUENT DUE, IN PART, TO THE FLIGHT OF 5.1 MILLION JOBS FROM THIS COUNTRY BETWEEN 1979 AND 1984, TO CHEAP LABOR MARKETS ABROAD, AND ALSO DUE, IN PART, TO THE STRUCTURAL TRANSFORMATION OCCURRING IN OUR ECONOMY. I SUGGEST, HOWEVER, THAT THE FEDERAL GOVERNMENT MUST PAY THE CONSEQUENCES FOR THE ECONOMIC SYSTEM WE CHOOSE. SINCE HIGH LEVELS OF UNEMPLOYMENT ARE CHARACTERISTIC OF OUR CURRENT SYSTEM, WE MUST GUARANTEE ECONOMIC SUPPORT TO THE VICTIMS OF OUR ECONOMIC CONTRACTIONS. CONSIDER THIS FACT: IN THE AFRICAN-AMERICAN LABOR FORCE ALONE, IN 1986, 1 MILLION JOBS WERE LOST. OUR BULGING FEDERAL DEFICIT AND LETHARGIC ECONOMY BODE ILL FOR EXPANSION IN THE NEAR FUTURE.

UNTIL WE ARE WILLING TO REGULATE THE ECONOMY; UNTIL WE ARE WILLING TO INTERFERE WITH THE "FREE FLOW" OF THE MARKET, TO GUIDE IT AND STEER IT TO ENSURE FULL EMPLOYMENT--WHICH WE ARE NOT YET READY TO DO--THEN

INCOME MAINTENANCE ASSISTANCE IS A FACT OF LIFE, AND ANY ATTEMPTS TO IMPROVE THE SYSTEM WILL BE STOP-GAP AND BAND-AID MEASURES AT BEST. UNLESS WE ARE WILLING TO MAKE STRUCTURAL CHANGES IN THE WAY OUR ECONOMIC SYSTEM OPERATES--ALL WE CAN DO IS TINKER WITH THE WELFARE SYSTEM, MODIFY IT HERE AND THERE, AND HOLD OFF CRIES FOR OVERHAUL FOR ANOTHER FEW YEARS. WE CANNOT THROW OUT THE SYSTEM ENTIRELY, HOWEVER, FOR TO DO SO WOULD BE TO COURT SOCIAL AND POLITICAL DISASTER.

GIVEN THESE ECONOMIC AND POLITICAL REALITIES, WHAT THEN DO WE DO WITH THE PRESENT WELFARE SYSTEM, WHICH WE ALL AGREE HAS SERIOUS DEFECTS. TO BEGIN WITH, THERE ARE CERTAIN CHANGES TO THE SYSTEM WHICH WE MUST NOT MAKE:

1. WE MUST NOT SHIFT THE RESPONSIBILITY FOR THE ECONOMIC WELL-BEING OF OUR CITIZENRY ONTO THE SHOULDERS OF STATE AND LOCAL GOVERNMENT. THE 1930s PROVED IT WAS BEYOND STATE AND LOCAL CAPABILITY. CAN IT BE ANY LESS SO IN THE 1980s, WHEN AN EVEN GREATER NUMBER OF ISSUES AND PROGRAMS COMPETE FOR SCARCE TAX DOLLARS, THE SPENDING OF WHICH WILL BE INFLUENCED BY SPECIAL BUSINESS INTERESTS;

2. WE MUST NOT PREDICATE RECEIPT OF HUMAN NEEDS ENTITLEMENTS ON THE PROVISION OF PUBLIC WORK SERVICE OR HUNTING FOR NONEXISTENT OR DEAD-END, ILL-PAID JOBS, BY PEOPLE WHO ARE PHYSICALLY OR PSYCHOLOGICALLY UNPREARED FOR THEM; AND

3. WE MUST NOT REDUCE THE ALREADY INADEQUATE ALLOTMENTS OR RASHLY ELIMINATE MUCH NEEDED COMPONENTS OF THE SOCIAL WELFARE PROGRAM IN THE NAME OF CURBING WASTE AND INEFFICIENCY.

WHAT IS NEEDED IS A COMPREHENSIVE INCOME MAINTENANCE SYSTEM THAT DOES SEVERAL THINGS:

* FIRST, IT MUST GUARANTEE TO EVERY PERSON OR FAMILY IN NEED AND UNABLE TO WORK, NON-PUNITIVE ACCESS TO STATE-PROVIDED ASSISTANCE WHICH, AT A MINIMUM, BRINGS RECIPIENTS UP TO THE FEDERALLY DEFINED POVERTY THRESHOLD AND WILL MAINTAIN THEM ABOVE THAT.

* THE SYSTEM MUST SET A FEDERALLY DEFINED MANDATORY MINIMUM BENEFIT LEVEL. THE FEDERAL LEVEL MUST BE AT LEAST EQUAL TO THE FEDERALLY-DEFINED POVERTY LEVEL.

* FOR THOSE TEMPORARILY UNABLE TO WORK, THE SYSTEM MUST GUARANTEE REASONABLE BENEFITS COUPLED WITH AN OPPORTUNITY FOR THE ASSISTANCE RECIPIENTS TO RECONSTRUCT THEIR LIVES, SEEK JOB TRAINING OR RETRAINING IN NEEDED--AND TO BE COMPENSATED WHILE TRAINING. IT MUST INCLUDE SPECIAL PROGRAMS FOR DISLOCATED AND DISCONNECTED WORKERS.

* THE SYSTEM MUST INCLUDE TARGET PROGRAMS FOR THE CHRONICALLY UNEMPLOYED WHICH INCLUDE COUNSELING, DEVELOPMENT AND ENHANCEMENT PROGRAMS, EDUCATION, ETC.

* THE SYSTEM OF PROVIDING PUBLIC ASSISTANCE MUST INCLUDE CRITICAL SUPPORT MECHANISMS SUCH AS CHILD CARE, TRANSPORTATION, EQUIPMENT AND UNIFORM SUBSIDIES, CONTINUING EDUCATION, AND HEALTH CARE.

* IT SHOULD MAKE EFFECTIVE USE OF COMMUNITY INSTITUTIONS; AND

ENSURE COMMUNITY REVITALIZATION AND ENHANCED DELIVERY OF SERVICES THROUGH EMPLOYMENT OF RECIPIENTS OF PUBLIC ASSISTANCE WHO CAN AND DESIRE TO WORK.

THE STATE OF THE WELFARE SYSTEM AFFECTS ALL OF US. UNLESS WE ARE WEALTHY, AND HAVE CONSIDERABLE INDEPENDENT FINANCIAL MEANS, THE EXTENT TO WHICH THE NEEDS OF OUR AGED PARENTS ARE TAKEN CARE OF INDEPENDENT OF OUR INDIVIDUAL ASSISTANCE DIRECTLY AFFECTS THE QUALITY OF OUR PRESENT LIVES. THE EXTENT TO WHICH FUTURE GENERATIONS ARE NOURISHED, EDUCATED AND TRAINED TO BE HEALTHY, PRODUCTIVE, EMPLOYED, TAX-PAYING ADULTS, WILL DIRECTLY AFFECT THE QUALITY OF OUR OWN LIVES DURING OUR OWN SUN-SET YEARS. EACH OF US HAS A STAKE IN AND A RESPONSIBILITY TO PROTECT AND SUPPORT THE VULNERABLE IN OUR SOCIETY, WHO IN MOST INSTANCES ARE VULNERABLE THROUGH NO FAULT OF THEIR OWN. LET US NOT SHIRK THIS RESPONSIBILITY, BUT RATHER SHOULDER IT WITH OPEN MINDS AND OPEN HEARTS.

Testimony for Subcommittee on Public Assistance
and Umemployment Compesnation
Committee on Ways & Means

Submitted by:

Cong. Paul B. Henry (MI)

Mr. Chairman, I appreciate the opportunity to submit materials to your Committee in regard to the contentious issue of "welfare reform". It seems we are all for welfare reform, but have tremendous disagreement in coming to terms with what we mean by it.

I wish to call the Committee's attention to a most successful "workfare" model which has been employed in Kent Country, Michigan, for several years. Kent County is one of the major urban counties in the State of Michigan, and experiences the human assistance problems and needs which might be expected in such an urban setting. For that reason, I believe its successes ought to be particularly noted by the Committee.

I want from the outset to establish the fact that I am not submitting this testimony simply out of courtesy to my local Department of Social Services Director. This program has received *national* recognition as a model worthy of emulation elsewhere in the country.

One of the key components of the program is that *all* applicants for social assistances are *required* to enroll in either education or job search programs (unless they have been deemed unemployable). They are required to register at the time of original application for benefits, not after a certain "triggering date" as is common in some other workfare models.

Further, even single-headed households with children under the age of six are required to participate in this program. Supplemental transportation and child care costs or services are provided above and beyond standard welfare support grants and services.

These two distinctions from most workfare models have at times been vigorously attacked, but the record of success in reducing welfare dependency not just by simply reducing eligibility, but by successfully placing welfare clients in the workplace, has been nothing short of astounding.

The program was established during the Ford Administration under an exception waiver granted by HHS. In the early months of the Carter Administration, an attempt was made by the Administration to withdraw the waiver. Within weeks, however, the director of the Kent County program was recruited by the Carter Administration, and served in Washington in the effort to facilitate further emulation of the program across the nation. In other words, this program has enjoyed bipartisan support through changing administrations.

Despite the added paperwork associated with such a program during the original application for benefits process, and the additional services rendered clients in the job club, education, nursery, and transportation areas, the error rates are among the lowest in the nation. (I would point out that Michigan is presently applying for an exemption for penalties for excessive error rates, claiming that the recession of the late '70's adversely affected case management on a statewide basis. The Kent County area experienced comparable economic dislocation and hardship during this period, but was able to actually reduce its error rate during this time frame!)

I wish to attach with this testimony correspondence from the Kent County Department of Social Services director, Mr. Evert W. Vermeer, which describes the Kent County program more fully. I would respectfully request that you consider asking Mr. Vermeer to give testimony before the Committee if that is at all possible.

Thank you, Mr. Chairman, for the opportunity to bring this material to the attention of the Committee.

Attachment: Letter from Evert W. Vermeer dated February 17, 1987

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DEPARTMENT OF SOCIAL SERVICES
AGNES M. MANSOUR, Ph.D., Director

KENT COUNTY
DEPARTMENT OF SOCIAL SERVICES
Paul I. Phillips Building
415 Franklin Street S.E.
Grand Rapids, Michigan 49507

February 17, 1987

The Honorable Paul Henry
U.S. Representative
Michigan 5th District
502 Cannon House Building
Washington, D.C. 20515

Dear Representative Henry:

Thank you for inviting me to comment on welfare reform. Welfare reform means something different to everyone who uses the term so I will try to respond based on my experience of 32 years together with the results of rehabilitative programs for the poor that have taken place in Kent County (Grand Rapids), Michigan. Professional welfare managers from federal, state, and county levels visit Kent County to study our successful employment and training programs and Kent's low, 1.4 percent in AFDC, error rates. Kent County staff are invited to speak at state and national conferences on welfare management and employment and training.

The Kent County "reform" effort is based on two simple principles. First all recipients defined as employable should daily be involved in an activity leading to independence of the system. Secondly, recipients who are employable or rehabilitatable should remain on public assistance for the minimal time possible.

The net result of aggressive applications of these principles is that Kent leads the state of Michigan and probably the nation in job placements for public assistance recipients in the middle size counties amounting to some 12,263 jobs in the last five years. Nearly two-thirds of these placements come during the first five-weeks using job clubs in which all recipients participate regardless to their education, employment skills, or previous contact with the labor market. The first week of job club consists of how did you get in this situation and how do you cope with it. The second week deals with how to get a job and how to keep it. Weeks three, four and five are spent on telephones under teacher supervision trying to get job interviews in the community. (See Attachment #1.) A bonus to these efforts is that 27% of the remaining AFDC families in Kent County have earned income averaging $365 monthly which enables them to raise their standard of living, learn job skills, while raising their families with the dignity and respect that a job gives people.

If the federal government really wants to reform welfare, it should recognize and reward states and counties for the shortness of time that they keep applicants and recipients of public assistance on the system. That concept would revolutionize the way they look at poor people in need. Instead of rewarding directors for carrying large numbers of cases, rewards should come for helping people become employable and independent of the system. Imagine looking at employable applicants for public assistance in terms of jobs, training, rehabilitation instead of the current system of how do we keep them from beating the system (error rate) or wondering how are applicants going to get by without cheating the system, with the grants we know are less than it is possible to get by with in our communities.

When over 60% of the children coming into the child neglect system and the Juvenile Justice system are coming out of the welfare loads, it is time we nationally do something that will work.

The following recommendation using proven Kent County policies and programs if implemented for half of the AFDC-Food Stamp applicants in the U.S. could lower caseloads by 20% in two years while raising their standards of living.

1. Keep People off Welfare:

   a. Child support advancements. With federal leadership and states following, major gains have been made in child support in the recent years. Even greater gains are necessary. I believe mandatory wage assignments are the most expeditious ways to get support from absence parents to meet the needs of children. Public campaigns stressing the responsibility of absent parents for the support of their children and establishing this as a national priority would go a long way toward resolving this issue and keep a lot of low income single mothers off welfare.

   b. Time limited GI Bill type grants. People defined as employable making application for public assistance are usually more receptive than any time thereafter to enter into the employment market. Although applicants must face bills, adversity, the embarrassment of making application, etc., they would prefer employment to welfare. I would propose that applicants emergent needs be met for a period not to exceed 60 days beginning with the date of application. Processing of the application and receipt of emergency assistance would depend on daily involvement in job clubs or other prescribed employment-seeking or assessment activities beginning with the day of application. If the potentially employable applicant does not find a job within the designated job search period, an assessment should be made to determine the need for and availability of education or training that would lead in 3 to 12 months to employment. Particularly in metropolitan areas where more than 85 percent of welfare recipients live, there are public and private training programs, junior colleges, college training programs, grade school and high school education programs. With counseling clients would apply to be accepted or assigned to approved programs. Applicants could be certified for a GI Bill type grants requiring their regular participation and satisfactory completion of the agreed upon program. Training facilities in turn would be paid tuition costs based on a fee for registration and the fee for satisfactory completion. Grants could exceed the training period by 30 or 60 days to allow for job search through the usual employment channels. If no employment results then consider AFDC. The recommended definition of "employable" for this project would be; "all abled body adult applicants and out of school teen-agers without regard to the age or number of children." Exemption from participation could be only for limited good cause. Logistical barriers such as day care, and transportation could be managed by vouchers or provided by the training facilities as in Kent. Failure to participate in these programs should lead to strong sanctions including cancellation of grants and referral of children to court protection.

c. Teenage Mothers. Pregnant teen-agers and teenage mothers would be required at application for AFDC to work out plans for continued education or participation in agreed upon training programs leading to eventual independence of the system. Failure to participate in agreed upon activities would lead to cancellation of grants and possible referral to the Juvenile Court system or other less desirable support system including insisting on return to parents, etc. See Kent's demonstration project, attachment #2.

d. Disabled Persons. Depending on the type and degree of disability we would again recommend emergency assistance for the first 60 days while a complete assessment is made regarding the degree of disability as well as the potential for rehabilitation. Week-long employment assessments have proven extremely successful for helping persons diagnosed as disabled become contributors in employment, active in training, and active members in society. Out of 229 referred for this assessment during the last 18 months, 43 found employment or are currently in job training, 34 have disappeared from the welfare roles, and 45 have transferred to supplemental security income because of conclusive proof of incapacity. People diagnosed as disabled, who are granted long term lay-offs from assessment, retraining and recycling find inactivity contributing to the incapacity and not recouperation, see attachment #3.

2. Other Areas Needing Reform:

a. Housing. Is fast becoming a national crisis, changes in the income tax laws, decreases in federal housing initiatives, and an expanded population during a time of limited building is putting great pressure from the standpoint of quality and availability of low cost housing for all levels of low income families, welfare recipients, and disabled. National housing policy must be developed which ensures affordable, uniform, minimal housing that meet reasonable codes that are uniformly enforced. Tax mechanisms for home or condo ownership by single parents and low income families are needed to stabilize our otherwise highly mobile families which in the end result in tearing at the human fabric that stabilizes our schools, neighborhoods, and human services.

b. Child rearing. Targeted information on child rearing at all levels, including pre-natal, post-natal, pre-school, and adolescents, are needed by single mothers and two-parent families in the continuing ongoing desperate attempt to rear children so that they can be contributing members to our society rather than dependent members. Within the current welfare system quality information could be targeted to the various ages groups as in the massive computer capacity we now have in most states, highly vulnerable populations needing sex education, more information on health needs could be computer targeted. Consideration should be given to the kind of information distribution used in the State of Maine where educational materials were placed in supermarkets for all families seeking help, see attachment #4.

3. People Continuing on Welfare:

   a. Employment Training Opportunities. Some of those are described under Item 1 in keeping people off of welfare should be made universal for persons currently or continuing on public assistance. I strongly recommend mandatory participation with strong sanctions not to punish but rather to help poor people and their children out of depressing poverty.

   b. Automation of Eligibility. Rapid strides should be made at the federal level to encourage states to maximum automation of eligibility, verification, and monitoring. The paperwork jungle is almost out of control in terms of caseworkers being able to manage the quantity of paperwork and complexity of the programs

I hope the above is helpful to you in designing legislation that will truly reform welfare.

Sincerely,

KENT COUNTY DEPARTMENT OF SOCIAL SERVICES

Evert W. Vermeer, Director

EWV:p4

Attachments

Skill training provides participants whose skills have become outdated or obsolete an opportunity to learn new, more salable skills.

Work experience provides on-the-job training, permitting participants to improve work habits — attitudes, gain practical experience, and showcase their talents and abilities to potential employers.

Ongoing Job Search:

Upon completion of training program component resources, participants are reassigned to a job club. Most training program components are short-term and time-limited. An intermittent job search assignment assures continuing labor market exposure to insure participants gaining employment within the shortest possible time and at minimum program costs.

Supportive Personal Services:

An employment Services caseworker is available to discuss and assess any personal employment barriers the participants may be experienceing (Example: alcoholism, emotional distress, health problems) and refer to appropriate resources.

KENT COUNTY DEMOGRAPHIC CHARACTERISTICS

- Population: 444,500
- Employment Base: 8,500 employers
- Unemployment Rate: 10%
- ADC Caseload: 6,800/month
- ADC-U Caseload: 500/month
- GA Caseload: 2,200/month

For further information, call or write:

Kent County Department
of Social Services
415 Franklin Street, S.E.
Grand Rapids, MI 49507

Contact Person:

James Poelstra
Services Program Manager
Phone: (616) 247-6147

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Kent County Department of Social Services

Evert W. Vermeer, *Director*
Phone: (616) 247-6005

Attachment #1

THE
KENT COUNTY
DEPARTMENT
OF SOCIAL SERVICES

WELFARE EMPLOYMENT AND TRAINING PROGRAM

1982
NATIONAL ASSOCIATION
OF COUNTIES
ACHIEVEMENT AWARD

FISCAL YEAR
1983-84 PROGRAM RESULTS
2,846 JOB PLACEMENTS
ANNUALIZED WELFARE SAVINGS
$5,957,932

PROGRAM FEATURES — HIGHLIGHTS

Total Recipient Involvement:

All non-exempt recipients are placed in Kent's Employment Program immediately upon eligibility determination. This includes all employable General Assistance recipients, all ADC-U recipients, and all employable ADC/R recipients with the youngest child over six months of age. Full time participation is required. Experience has shown that many recipients previously thought to be unemployable, have found jobs. By serving everyone, the program also targets recipients who do not have the time to participate due to their engagement in other unknown activities.

Upfront Job Clubs:

Initial entry into the program is through Job Clubs. Kent County assumes everyone is employable and that labor market exposure is the only reliable test of employability. This avoids placing participants directly into more costly long-term training components.

As a result, 1,613, or 56% of the program participants gaining employment in fiscal year 1983-84 did so within the first 30 days of receipt of public assistance. (This represents $3,351,840 in welfare savings.)

Time Limited Services:

All participants are continually served for 18 months at which time services are terminated. This front end, time limited approach to service delivery permits Kent to serve 100 percent of the employable caseload with a limited amount of staff. Kent's experience has shown that placements are more likely to occur early on in a person's receipt of public assistance.

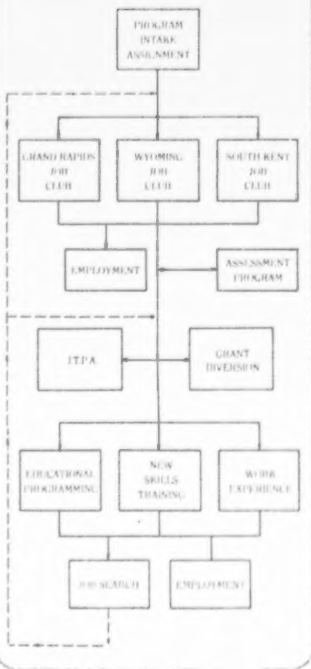
Self-Placement Versus Job Development:

The program stresses participants' responsibility to find their own jobs and not rely on agency staff. Results are greater participant exposure to the labor market, an improved job retention rate, and carryover learning should they again become unemployed.

Integration of Community Resources:

Public schools provide job clubs, vocational and educational assessment, and all educational related program resources. Colleges provide skill training financed by the PELL Grants. Local county funds are provided to plug gaps in state and federal funding. The local J.T.P.A. Agency provides training financed by the Job Training Partnership Act.

PROGRAM FLOW



ESSENTIAL PROGRAM COMPONENTS

Job Club:

All program participants are first assigned to a job club. Kent's program capacity can serve up to 600 new participants per month. Job club serves to assure extensive labor market exposure to everyone entering the program.

The program features two weeks of classroom training in career exploration and job search training. Career exploration training covers self-esteem development and life planning as well as stress management which teaches participants how to change their perception of and respond to stressful life events. Job search training includes training in proper techniques in interviewing for a job. The two weeks of classroom training is followed by a three week phone room assignment where recipients practice job search skills by using the telephone and participating in job interviews.

Assessment:

Those not gaining employment are helped to evaluate their job club experience, define possible reasons why they were unable to find employment and choose available program components that may overcome the barriers identified.

Assorted academic, personality, vocational, and interest tests are administered to assist the decision-making process.

Grant Diversion:

Kent is a pilot project county for the Michigan Department of Social Services Grant Diversion Program. The targeted population is General Assistance recipients who have completed job club. Grant Diversion assists eligible recipients to find subsidized employment through careful client screening, intensive employer recruitment, and limited wage subsidies.

The employer subsidy is $200 per month up to six months. The employer receives an additional $150 bonus for each participant hired after three months on the job and again at the six-month period.

Services are delivered by contract through the local Job Training Partnership Act agency and the Department of Labor. Plans are to expand grant diversion to include ADC recipients by October 1, 1985.

Education, Skill Training, Work Experience Programs:

Educational resources assist participants in overcoming basic educational deficiencies.

Child Care

Finding adequate child care to ensure the mother's full program participation is always a challenge. A contract with a local child care resources agency helps participants develop a child care plan when they have no family or friends to support them.

COMMUNITY INITIATIVES

I. Currently under consideration is the establishment of a single educational site in the community for pregnant teens and teen parents. This single site would be the focal point for a continuum of service including the provision of on-site child care.

II. The development of a Kent County pregnant adolescent/teen-age parent community plan. This will provide:

1. A comprehensive evaluation of program needs of pregnant teens and adolescent parents.
2. An analysis of resources available within the community.
3. A community conference to review and revise the written community plan.
4. A commitment of participating organizations to implement the comprehensive community plan and cooperate in the evaluation approach outlined in the plan.

For further information, call or write:
Kent County Department of Social Services
415 Franklin Street, S.E.
Grand Rapids, MI 49507

James Poelstra
Services Program Manager
Phone: (616) 247-6147

The Salvation Army
1215 East Fulton, S.E., Grand Rapids, MI 49503
Captain Robert Thomson
Booth Services Administrator
Phone: (616) 459-9468

KENT COUNTY DEMOGRAPHIC CHARACTERISTICS

- Population: 444,500
- Employment Base: 8,500 employers
- Unemployment Rate: 10%
- ADC Caseload: 6,800/month
- ADC-U Caseload: 500/month
- GA Caseload: 2,200/month
- Minor Mother Caseload: 160

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Kent County Department of Social Services
Evert W. Vermeer, *Director*
Phone: (616) 247-6005

Attachment #2

THE KENT COUNTY DEPARTMENT OF SOCIAL SERVICES

AFDC MINOR MOTHER PROGRAM

1985
NATIONAL ASSOCIATION OF COUNTIES ACHIEVEMENT AWARD

GOALS
- HIGH SCHOOL COMPLETION
- INCREASED JOB READINESS
- REDUCTION IN WELFARE DEPENDENCY
- IMPROVED MATERNAL AND INFANT HEALTH
- PREGNANCY PREVENTION

THE SALVATION ARMY
BOOTH SERVICES OF
GRAND RAPIDS

RESULTS

School Dropout Rate

- National statistics show that only 33% of pregnant teens continue in school. (March of Dimes fact sheet 8/83)
- Kent County results show that 60% of the program participants are attending school regularly.

Delay of Subsequent Pregnancies

- National statistics show that only 40% of teen mothers who deliver before they are 17 will not have a subsequent pregnancy before they turn 19. (Mott Foundation 1981 Annual Report)
- Kent County program results show that 85% of program participants have not had a subsequent pregnancy since participation in the Minor Mother Program.

Maternal and Infant Health

- National statistics show that 20% of pregnant teen-agers do not receive medical care until the third trimester. (Guttmacher Institute 1981)
- In Kent County all program participants receive immediate medical care.

PROGRAM FEATURES — HIGHLIGHTS

Total Recipient Involvement

Michigan exercises the Title IV A option to provide AFDC to the unborn. Assistance is provided as soon as eligibility can be established, with a charge back to the state up to the last four months of the pregnancy.

Kent County serves all AFDC recipients, age 17 and below, who are pregnant and/or parenting. This group of mothers are considered to be high risk not only medically, but socially as well. While 60% of this group are living with their families, i.e. parents, aunts, grandmothers, 40% are living on their own. They have special problems, as a minor under the law, functioning in an adult world. For example, housing opportunities, since they cannot sign a lease, are severely limited.

Immediate Program Involvement

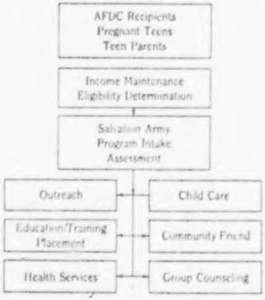
All minor mother recipients are identified at application or when a teen pregnancy is verified, and isolated on one Income Maintenance caseload. This Income Maintenance Worker then immediately refers the recipient to the Service Contractor, The Salvation Army, Booth Services.

With all members of the targeted client group on one Income Maintenance caseload, 100% referral is assured. Other advantages of having a specialized Income Maintenance caseload results in the service provider having only to deal with one Income Maintenance case worker, thereby establishing a good working relationship. Additionally, the Income Maintenance case worker and the service provider share a concern for minor mothers and a commitment to the same goals for this special group of young women. Each reinforces what the other says in contacts with their mutual clients.

Integration of Community Resources

Public schools provide all education resources. The Public Health Department is involved in providing needed medical services for both the minor mother and her children. Through the services of Community Coordinated Child Care (4-C), a child care plan is established so the teen mother can attend school. Numerous other Social Service organizations are regularly tapped to respond to a variety of needs.

PROGRAM FLOW



GOALS

- High School Completion
- Increased Job Readiness
- Reduction in Welfare Dependency
- Improved Maternal and Infant Health
- Pregnancy Prevention

ESSENTIAL PROGRAM COMPONENTS

Outreach Services

These services are provided by trained social workers who visit program participants in their homes. This one-to-one contact has proven to be the strongest and most important component of the program. The outreach services build the relationships that are necessary to get the program participants involved in the other phases of the Minor Mother program.

Group Counseling Services

This is done by working closely with all of the community public schools. Time has been arranged, during school hours, for these young women to be involved in the group sessions. Meetings are also set for after school and in the evenings. Topics addressed are: life skills (i.e. budgeting, housing issues, comparative shopping, etc.), health care, child care issues, employment skills, relationships, sexuality, decision making and self-esteem.

Community Friend Volunteer Support Services

The community friends have become role models for the young women they serve, helping to fill the gaps which the clients have missed in their own homes. They have also provided a "time-out" function for the participants when stress levels are too high to care for their child, offering support in the areas which will help solve the problem. The community friend spends at least one hour a week with their assigned program participant, helping in areas that the young woman identifies. Volunteerism is cost effective and can produce excellent results. There are currently 42 trained community friends.

Education and Training Placement Services

All program participants go through a placement process. A high percentage of these young women are not involved in school at the time of referral to the program, and those who are attending are doing so only on a marginal basis. Each of the program participants goes through an assessment process to determine if placement in educational programs or job training is the most appropriate.

Education and Training Support Services

The social worker acts as a liaison between the school systems and the Minor Mother program. The monitoring of attendance and the performance of the program participants who are enrolled in the educational programs is done by a monthly report form. The liaison follows up on concerns regarding absenteeism, special educational needs and barriers to attendance (i.e. child care, transportation, etc.).

CONGRESSMAN HOYER STATEMENT - WELFARE REFORM

CONGRESSMAN FORD, IT IS A PRIVILEGE TO SUBMIT TESTIMONY BEFORE YOUR SUBCOMMITTEE ON PUBLIC ASSISTANCE AND EMPLOYMENT COMPENSATION. I WOULD LIKE TO TAKE THIS OPPORTUNITY TO SALUTE YOUR LEADERSHIP IN ADDRESSING WELFARE REFORM. LAST YEAR, YOU CONDUCTED SEVERAL HEARINGS REGARDING EMPLOYMENT AND WELFARE ISSUES. YOUR KNOWLEDGE AND EXPERTISE WILL ENABLE THE 100TH CONGRESS TO PASS A MAJOR WELFARE REFORM PACKAGE. IN RECENT YEARS, ECONOMIC DEVELOPMENTS HAVE CAUSED SOME DISTURBING CHANGES IN AMERICAN LIFESTYLES. ONE SUCH CHANGE IS THE HIGH RATE OF WELFARE DEPENDENCY BY MANY AMERICANS. ACCORDING TO RECENT STATISTICS, 12 MILLION AMERICANS ARE CURRENTLY ON THE WELFARE ROLLS. MARYLAND HAS HAD A GOOD NUMBER OF ITS CITIZENS RECEIVING WELFARE SERVICES. HOWEVER, MARYLAND HAS ALSO BEEN SUCCESSFUL IN SEEING THAT THESE SAME CITIZENS MOVE FROM WELFARE ROLLS TO PAYROLLS.

SUCCESS OF MARYLAND'S WELFARE-TO-WORK POLICY

INTRODUCTION

A PARAMOUNT GOAL IN MARYLAND IS TO ASSIST WELFARE RECIPIENTS IN OBTAINING AND MAINTAINING EMPLOYMENT.

THE FOLLOWING PROGRAMS HAVE BEEN CREATED IN ORDER TO ACHIEVE THAT GOAL: (1) EMPLOYMENT INITIATIVES, WHICH INCLUDE THE OPTIONS PROGRAM IN BALTIMORE CITY AND BASIC EMPLOYMENT TRAINING (BET) IN WICOMICO COUNTY; (2) STATEWIDE WORK INCENTIVE (WIN) DEMONSTRATION PROGRAMS; (3) WORK SUPPLEMENTATION OR GRANT DIVERSION; (4) THE INVESTMENT IN JOB OPPORTUNITIES (IJO) PROGRAM; (5) FOOD STAMP WORK REGISTRATION; AND (6) THE YOUNG FATHERS JOBS PROGRAM. BECAUSE OF THE SUCCESSES ENJOYED BY THESE PROGRAMS, MARYLAND HAS ESTABLISHED ITSELF AS A NATIONALLY RECOGNIZED LEADER IN WELFARE-TO-WORK INITIATIVES. IN FACT, OUR PROGRAM MODELS HAVE BEEN USED AS THE FOUNDATION ON WHICH OTHER STATES ARE NOW STRUCTURING THEIR PROGRAMS.

WELFARE-TO-WORK PROGRAMS IN MARYLAND

SPECIFIC EXAMPLES OF THE EFFECTIVENESS OF MARYLAND PROGRAMS INCLUDE:

- WIN: AID TO FAMILIES WITH DEPENDENT CHILDREN (AFDC) RECIPIENTS ARE REQUIRED TO REGISTER FOR AND PARTICIPATE IN THE WORK INCENTIVES (WIN) PROGRAM IF THEIR YOUNGEST CHILD IS SIX OR OLDER. SINCE 1982, MARYLAND HAS OPERATED A SERIES OF EMPLOYMENT INITIATIVES WHICH ALLOWS TREMENDOUS STATE FLEXIBILITY IN THE DESIGN AND OPERATION OF THE WIN PROGRAM. PROGRAM ACTIVITIES OFFERED THROUGH EMPLOYMENT INITIATIVES INCLUDE REMEDIAL EDUCATION, OCCUPATIONAL SKILL TRAINING, JOB SEARCH TECHNIQUES, WORK EXPERIENCE, ON-THE-JOB TRAINING, AND SUPPORTIVE SERVICES SUCH AS CHILD CARE AND TRANSPORTATION ASSISTANCE. APPROXIMATELY 12,000 WIN DEMO PARTICIPANTS HAVE FOUND EMPLOYMENT IN MARYLAND.

- GRANT DIVERSION: ANOTHER EXAMPLE OF A TRAINING PROGRAM THAT HAS PROVEN SUCCESSFUL IS WORK SUPPLEMENTATION OR GRANT DIVERSION. THIS PROGRAM TURNS THE WELFARE GRANT INTO A WAGE SUBSIDY FOR EMPLOYERS, MAKING IT FINANCIALLY PRACTICAL FOR BUSINESSES TO GIVE WELFARE CLIENTS ON-THE-JOB TRAINING. GRANT DIVERSION HAS PROVEN TO BE A PARTICULARLY EFFECTIVE STRATEGY, ALLOWING RECIPIENTS THE OPPORTUNITY TO LEARN AND PROVE THEMSELVES DURING THE TRAINING PERIOD, THEREBY INCREASING THE POSSIBILITY OF RETENTION AFTER TERMINATION OF THE SUBSIDY PERIOD.

- IJO--INVESTMENT IN JOB OPPORTUNITIES: MARYLAND HAS JUST LAUNCHED THE INVESTMENT IN JOB OPPORTUNITIES (IJO) PROGRAM. IJO REPRESENTS THE FIRST MEANINGFUL INFUSION OF STATE FUNDS LINKING HUMAN SERVICE AGENCIES, JOB TRAINING PROGRAMS, AND ECONOMIC DEVELOPMENT ACTIVITIES IN A UNIQUE PARTNERSHIP. CENTRAL TO THE IJO CONCEPT IS THE NOTION OF LEVERAGING ECONOMIC DEVELOPMENT ACTIVITIES (LOW INTEREST LOANS, CAPITAL INVESTMENTS, MARKETING) IN ORDER TO INCREASE ACCESS FOR AFDC RECIPIENTS TO BOTH NEWLY CREATED AND EXISTING JOB OPPORTUNITIES. IJO ALSO GREATLY EXPANDS SUPPORT SERVICES SUCH AS CHILD CARE, TRANSPORTATION, AND MEDICAL BENEFITS WHICH ARE NECESSARY FOR RECIPIENTS TO MAKE A SMOOTH TRANSITION OFF WELFARE ROLLS AND ONTO PAYROLLS. IJO WAS IMPLEMENTED ACROSS MARYLAND IN JANUARY AND PLANS TO CALL FOR A MINIMUM OF 1,500 JOB PLACEMENTS DURING THE FIRST 18 MONTH PERIOD.

- YOUNG FATHERS WORK PROGRAM: FINALLY, THE STATE WILL BE DEVELOPING AND IMPLEMENTING A YOUNG FATHERS WORK PROGRAM. THE PURPOSE OF THIS DEMONSTRATION PROJECT WILL BE TO IDENTIFY YOUNG FATHERS WHO HAVE ADMITTED PATERNITY FOR CHILDREN BORN TO ADOLESCENT MOTHERS BUT HAVE NO MEANS OF FINANCIAL SUPPORT FOR THE CHILD. ONCE SUCCESSFULLY PLACED IN A JOB, A PORTION OF THE WAGE WILL BE EARMARKED FOR CHILD SUPPORT.

CONCLUSION

MARYLAND'S WELFARE-TO-WORK PROGRAMS ARE DESIGNED TO PROMOTE PERSONAL AND ECONOMIC INDEPENDENCE THROUGH EDUCATION AND ENTERPRISE, AS OPPOSED TO SIMPLE "WORKFARE" PROGRAMS WHICH FOCUS ON WORKING OFF THE WELFARE GRANT WITHOUT ATTENTION TO SKILL DEVELOPMENT OR ACTIVE TRANSITION TO PAID EMPLOYMENT. THIS IS THE MOST VIABLE MECHANISM OF REDUCING LONG-TERM POVERTY AND WELFARE DEPENDENCY. FOR THE INDIVIDUAL AFDC MOTHER AND FAMILY, WORK BRINGS ECONOMIC WELL-BEING AND PERSONAL PRIDE. ACCORDING TO THE DEPARTMENT OF LABOR, NECESSARY LABOR FORCE GROWTH THROUGH THE YEAR 2000 MUST COME FROM SECTORS OF THE POPULATION -- SUCH AS WOMEN, YOUTH, MINORITIES -- WHO HAVE TRADITIONALLY NOT BEEN TAPPED AND SUFFER SIGNIFICANT EMPLOYMENT BARRIERS. DEVELOPING THE PRODUCTIVITY OF EVERY AVAILABLE WORKER IS AN IMPORTANT ECONOMIC AND SOCIAL CONCERN FOR ALL AMERICANS.

UNFORTUNATELY, DWINDLING FEDERAL RESOURCES HAVE SERIOUSLY IMPACTED THE NUMBERS OF PEOPLE THAT CAN BE SERVED THROUGH EFFECTIVE PROGRAMS. LAST YEAR, STATE RESOURCES COULD ONLY SERVE 3,500 PEOPLE AS ACTIVE PARTICIPANTS IN JOB TRAINING AND JOB SEARCH ACTIVITIES. THE STATES THAT HAVE MADE SIGNIFICANT STRIDES IN GETTING PEOPLE OFF WELFARE ROLLS AND ONTO PAYROLLS HAVE DONE SO WITH EFFECTIVE PROGRAM MODELS AND CONSIDERABLE INVESTMENT OF STATE REFERRALS.

MARYLAND HAS A STRONG FRAMEWORK UPON WHICH TO BUILD ITS FUTURE WELFARE-TO-WORK PROGRAMS. THE STATE IS COMMITTED TO DESIGNING AND IMPLEMENTING PROGRAMS AIMED AT MAKING THE WORK FORCE OF MARYLAND INCLUSIVE AND PRODUCTIVE. HOWEVER, WE NEED RESOURCES TO CARRY OUT THIS COMMITMENT.

MARYLAND'S RECOMMENDATIONS FOR FEDERAL LEGISLATION ON WELFARE REFORM

ANY FEDERAL WELFARE REFORM LEGISLATION MUST ASSIST WELFARE RECIPIENTS IN BOTH OBTAINING AND MAINTAINING JOBS. PROVISIONS I WOULD LIKE TO SEE INCLUDED IN A WELFARE REFORM PACKAGE INCLUDE:

- A CONTRACT BETWEEN HUMAN SERVICE AGENCIES AND RECIPIENTS OF CASH ASSISTANCE THAT REQUIRES SERVICES ON THE PART OF THE AGENCY AND ACTION ON THE PART OF THE CLIENT ENCOMPASSING EDUCATION AND EMPLOYMENT.
- COMPREHENSIVE MANDATORY WELFARE-TO-JOBS PROGRAMS SHOULD INVOLVE EDUCATION, JOB SEARCH, TRAINING, AND PLACEMENT, ENHANCED BY THE INCLUSION OF HUMAN DEVELOPMENT GOALS IN STATE AND LOCAL ECONOMIC DEVELOPMENT ACTIVITY. EMPLOYMENT OR EDUCATION WILL BE REQUIRED OF PARENTS WITH CHILDREN AGE THREE OR OLDER. PARENTS OF YOUNGER CHILDREN WILL BE REQUIRED TO PARTICIPATE IN A MORE LIMITED PROGRAM OF EDUCATION, EMPLOYMENT, AND OTHER ACTIVITY TO PROMOTE SELF-SUFFICIENCY OR STRENGTHEN THE FAMILY.
- THE LEGISLATION SHOULD ALLOW STATES FLEXIBILITY IN THE CHOICE OF WELFARE EMPLOYMENT PROGRAM ACTIVITIES, ENCOURAGING TARGETING OF PROGRAMS TO ASSIST THOSE WHO ARE HARDEST TO SERVE, AND EMPHASIZING PROGRAM COORDINATION.
- ESTABLISHMENT OF A CASE MANAGEMENT SYSTEM IN ALL HUMAN SERVICE AGENCIES TO HELP FAMILIES ASSESS THEIR NEEDS AND RESOURCES AND TO IMPLEMENT AND MONITOR THE AGENCY-CLIENT CONTRACT.
- ESTABLISHMENT OF STATE AND COMMUNITY STRATEGIES TO PREVENT TEEN PREGNANCY INCLUDING EARLY INTERVENTION WITH FAMILIES OF AT-RISK TEENS.
- ESTABLISHMENT OF NATIONAL, STATE AND LOCAL CONSORTIA TO FUND, DESIGN, AND EVALUATE ADOLESCENT PREGNANCY INITIATIVES AIMED AT PREVENTION AND SUPPORT SERVICES.
- REQUIRE HHS TO CONDUCT AN ON-GOING EVALUATION OF WELFARE EMPLOYMENT PROGRAMS INCLUDING THEIR EFFECTIVENESS IN ACHIEVING THE GOALS OF THE VARIOUS PROGRAM AND THEIR IMPACT ON OTHER RELATED EMPLOYMENT AND TRAINING PROGRAMS.

I LOOK FORWARD TO WORKING WITH YOU; MR. CHAIRMAN, AND THE MEMBERS OF THIS COMMITTEE IN BOTH DRAFTING AND PASSING WELFARE REFORM LEGISLATION.

PRINCIPLES FOR WELFARE REFORM

TESTIMONY SUBMITTED TO THE
SUBCOMMITTEE ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION
HOUSE COMMITTEE ON WAYS AND MEANS
100TH CONGRESS, 1ST SESSION

◆ ◆

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DURING SPRING 1987:
VISITING PROFESSOR
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◆ ◆

2 MARCH 1987

SUMMARY

A consensus has emerged that adult recipients of welfare should do more to help themselves, either work, look for work, or enter education or training. The main goal of welfare reform should be to assure this, by involving more recipients in employment programs. Evaluations of recent "workfare" programs suggest that they can raise participation quite sharply, even if the economic gains they generate for the recipients or society are limited.

However, it is essential that the programs be mandatory. Participation in them must be required for employable recipients, not optional. The main determinant of whether such programs move clients into jobs is the share of clients they obligate to participate actively. The jobs available and other constraints are less important. Voluntary programs may appear to succeed, but they serve mainly the more energetic recipients who would be likely to get off welfare anyway. To reach the more seriously dependent, activity must be required.

Liberals should not try to use workfare simply to expand social services without obligation, nor should conservatives hope to see major cost savings from it. The purpose is not mainly to change what is spent on welfare, though that may follow. It is to make the welfare experience less passive and long-term. There are also dangers that too much will be expected from workfare too soon and that implementation will be neglected.

Welfare reform should define more recipients as employable, particularly by reducing the age of youngest child that exempts welfare mothers. A gradual increase in participation rates should be mandated. Programs should emphasize placement in available private jobs, and the provision of alternatives (training, government jobs) should be limited. A way must also be found to help more low-skilled men succeed as husbands and fathers, rather than abandon their families to welfare; in return for working, their wages might be supplemented through the welfare or tax systems. Even as some national reforms are enacted, states should retain leeway to experiment further with workfare.

My name is Lawrence M. Mead. I am an Associate Professor of Politics at New York University. This semester I am a Visiting Professor at the La Follette Institute of Public Affairs at the University of Wisconsin--Madison. I have been studying welfare employment programs since 1975. I recently published Beyond Entitlement: The Social Obligations of Citizenship (Free Press, 1986), a study of the work requirements and other obligations in federal social programs.

A movement has gathered to reform welfare, especially Aid to Families with Dependent Children (AFDC). The main agenda is to require that more adult recipients work or take other steps to help themselves as a condition of support. Measures in this direction seem essential for the well-being of the recipients as well as the nation. Below, I summarize some reasons for this movement, what it might achieve, the political dangers it faces, and finally the essentials of reform itself.

I. REASONS FOR REFORM

The main impetus to reform is evidence that long-term dependency has become a serious problem in American welfare. It is at the heart of the nation's social problem, especially in the low-income areas of major cities.

It was once thought that most families on welfare remained there only for short periods, and that is true for about half the cases. But according to the best recent research, half the cases last more than two years, and 38 percent last five years or longer. These longer-term cases dominate the rolls at any given time.[1] Furthermore, prolonged dependency hits the most disadvantaged families hardest. Young, never-married mothers who go on AFDC with a child under 3 tend to stay dependent the longest; nearly 40 percent will spend a total of at least 10 years on the rolls.[2]

A major reason for dependency is nonwork by adult recipients, next only to seperation from their spouses.[3] Lack of earned income is even more important as a cause of poverty. About half of all spells of poverty begin through a loss of earnings, and three-quarters of them end through a gain in earnings. Even for female heads of families, earnings are the leading escape route out of poverty, more important than either remarriage or government benefits.[4] But it is a route few of the long-term poor or dependent take.

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[1] Mary Jo Bane and David T. Ellwood, "The Dynamics of Dependence: The Routes to Self-Sufficiency," study prepared for the Department of Health and Human Services (Cambridge, Mass.: Urban Systems Research and Engineering, June 1983), ch. 2.

[2] Davit T. Ellwood, "Targeting 'Would-Be' Long-Term Recipients of AFDC," study prepared for the Department of Health and Human Services (Princeton: Mathematica Policy Research, January 1986), p. xiii

[3] Bane and Ellwood, "Dynamics of Dependence," pp. 17-22.

There is little reason to think the problem will solve itself. Only about a quarter of AFDC mothers are working or looking for work at a given time, about half the level for comparable, divorced or separated mothers in the general population, and the level is lower still for the long-term cases. After even two years on the rolls, the chance that a family will work itself off the rolls is less than 5 percent.[5] Work levels have hardly changed in two decades, even though welfare mothers have become more employable in that time.[6]

The main purpose of the current movement is to assure that more of the dependent do something to help themselves. The humane purpose of AFDC used to be to free needy mothers to stay at home to raise their children. Today there is widespread doubt that it is good for a single mother or her children for her not to work for long periods. Among families with limited education and work experience, nonwork tends to isolate and depress the mother, and it does not furnish the example of competence that children need to see in their parents. Ideally, a family has two parents, and between them they can both work and care for their children full-time. When the mother is the only parent, it is best that she divide her time between these tasks.

While welfare largely supports women and their children, there is concern also about poor men. Most welfare families are created when fathers leave their spouses or never marry them. Some argue the fathers leave to quality the families for AFDC, which does not cover two-parent families unless the father is unemployed. More likely, they leave because they despair of supporting the family on the wages they can earn, or they are kicked out as poor providers by the mothers. Welfare reform should not consist only of steps to make the mothers work, necessary those these are. Measures are also needed to obligate the fathers to do more to support their families, and to help them function better as breadwinners.

Nonwork is also hard on the nondependent. Polls show that Americans are deeply distressed by welfare. What they oppose is not dependency as such, since large numbers of better-off people rely on Social Security and other middle-class benefit programs. Rather it is *dysfunctional* dependency, the fact that welfare adults often do so little to help themselves. The presence of a substantial class of working-aged, yet dependent adults violates the American ideal of a nation of equal citizens. Greater integration of the long-term dependent is essential to achieve equality in this American sense. It is also vital to maintain political support for welfare and a generous social policy.[7]

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[4] Mary Jo Bane and David T. Ellwood, "Slipping Into and Out of Poverty: The Dynamics of Spells," Journal of Human Resources, vol. 21, no. 1 (Winter 1986), pp. 13-21.

[5] June A. O'Neill et al., "An Analysis of Time on Welfare," study prepared for the Department of Health and Human Services (Washington, D.C.: The Urban Institute, June 1984), pp. 27-8.

[6] Lawrence M. Mead, Beyond Entitlement: The Social Obligations of Citizenship (New York: Free Press, 1986), pp. 73-6.

II. WHAT REQUIREMENTS MIGHT ACHIEVE

These facts have put in question the passive approach that government took to dependency until recently. Since recipients want to work, it has been assumed that they will when they can. A number of impersonal "barriers" have been thought to keep them from working—lack of jobs or child care, racism or low skills, or the disincentives to work created by welfare itself. Government must remove these impediments, and then the adult poor will go to work without special prompting.

This was the reasoning behind the many benefit-oriented programs the Great Society invented to try to raise work levels. These included government training programs for disadvantaged workers and youth. In 1967, AFDC recipients were allowed to keep part of any earned income without any deduction from their grants, to create a stronger incentive to work. During the 1970s, large numbers of government jobs were created for the seriously unemployed, many of them welfare recipients.

However, research and experience have not shown the barriers to be very substantial. Especially, jobs of at least a low-paid kind seem widely available. The shortages, if any, are in rural areas, not in the cities where welfare is concentrated. The presence of large numbers of illegal aliens working in urban areas is one sign of that. The loss of Medicaid coverage is an important deterrent to work, but welfare itself is not. This is not to say that work is easy for welfare mothers, only that it is not notably more difficult for them than for other single mothers, most of whom now are working.[8]

Perhaps for this reason, none of the benefit-oriented programs showed much impact on work levels. Some of them generated worthwhile gains for the earnings of recipients, but none caused them to work more steadily in the jobs already available in the private sector. In particular, work incentives did not perceptibly raise employment levels in AFDC, nor did work effort drop when the incentives were largely eliminated in 1981.[9]

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[7] Mead, Beyond Entitlement, pp. 233-40.

[8] Lawrence M. Mead, "Work and Dependency, Part I: The Problem and Its Causes," paper written for the Welfare Dependency Project of the Hudson Institute, September 1986, part III, and "The Potential for Work Enforcement: A Study of WIN," unpublished paper.

[9] Lawrence M. Mead, "Work and Dependency, Part II: Past Policy and Proposals," paper written for the Welfare Dependency Project of the Hudson Institute, September 1986, pp. 5-17.

It has become clear that nonwork is due, less to barriers, than to the special inhibitions the long-term poor have about entering low-skilled jobs, the kind most accessible to them. Despite a desire to work, they have difficulty mustering the steady, committed work effort necessary to overcome poverty. Many feel that, while work is desirable, the responsibility for achieving it rests with government, which must locate a job, arrange child care, and so on. Others view as unjust having to take unskilled jobs that pay less than the norm for the economy. The first attitude seems more important for welfare mothers, the second for unskilled men.[10]

From this perspective, the problem with past federal programs was that they were permissive. They did not clearly require the dependent to work in return for benefits. Especially, AFDC has not seriously required adult recipients to work. The Work Incentive (WIN) program was established in 1967 to try to place employable recipients in work or training, but it has suffered from limited authority. Mothers with preschool children are excluded, though they comprise the bulk of adult recipients. Thus, only about a third of AFDC adults even have to register with WIN. And of these, only about a third have to do anything active to retain their welfare grants. The rest are excused informally by the staff, partly due to limited funding. And even for those who participate, the requirement is usually only to look for work, not actually work.[11]

The participation constraints are especially important, because WIN's performance depends mainly on the share of the employable recipients it obligates to participate actively. The higher that proportion, the higher the share of clients who enter jobs. Compared to low participation, the constraints posed by the clients' low skills or the limited jobs available are much less important.[12]

The 1981 reforms in AFDC were, in part, designed to counter these problems. States could now institute more stringent work requirements, and they would obligate mothers with children as young as 3. Since then, most states have implemented new welfare work programs of some kind. The programs cover, as yet, only a small part of the welfare caseload, and much of welfare reform comes down to deciding which of the new stipulations should be mandated for the nation.

The most publicized of the new options was "workfare," or a requiremens that employable clinets "work off" their grants in government jobs. But since the new programs involve many other strategies as well, I use "workfare" to cover all mandatory activitities aimed at increasing client independence, including education, training, and private-sector job search as well as public employment.

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[10] Mead, "Work and Dependency, Part I," part IV.

[11] Mead, Beyond Entitlement, chs 3, 6.

[12] Lawrence M. Mead, "Potential for Work Enforcement," and "Expectations and Welfare Work: WIN in New York State," Polity, vol. 18, no. 2 (Winter 1985), pp. 224-52.

Several of the new programs have been evaluated by the Manpower Demonstration Research Corporation (MDRC). The results suggest that welfare employment can raise the earnings of participants and the hours they work after they leave the program. It can reduce their dependency. The effects are greatest for the most disadvantaged recipients, exactly those we want most to reach. These economic gains are marginal, impressive for some programs, but not out of line with the impacts of earlier federal training programs.

They are important mainly because they show that it is not irrational to pursue workfare. To require work *is* an economic gain for both the recipient and government in most cases. It demands an increase in spending for administration and support services, especially child care, but much of the cost is recouped from savings in welfare as additional recipients enter jobs.[13]

On the other hand, there is no prospect that workfare will reduce welfare rolls by large increments in the short run. Nor will it advance economic equality in the sense of realizing average incomes for recipients. No training program can overcome the serious deficits in education and basic skills that most long-term dependent adults have. While workfare can raise earnings, it does this mainly by causing clients to work *more hours* in the rudimentary jobs they can already get. It does not much improve their wages.[14]

The economic effects of workfare may be less important than what I call its political impacts. The new programs have raised participation in work effort sharply. The share of employable recipients participating actively has typically been about half, well above the usual WIN level, and in the best-run programs (e.g., San Diego and West Virginia) it is considerably above that.[15] Higher participation is essential to the economic payoffs of workfare, but *it is also an end in itself*. To involve the recipients in mainstream activity would be valuable intrinsically, and would meet the chief public concern about welfare, even if there were no economic gains.

The other important political result is that the participants themselves support the new programs. Large majorities accept the fairness of the work requirement and feel positively about their work experience. Required jobs seldom impart new skills, but neither are they "make-work." The main reservation surfaces among those whose assignment is just to "work off" their grants—they would prefer regular jobs.[16] Activists who speak for recipients usually oppose work requirements in principle. The participants do not. Few feel they are being "forced" to work, and politically that is important. If it were otherwise, one could not imagine mandating requirements as national policy.

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[13] Judith M. Gueron, Work Initiatives for Welfare Recipients (New York: Manpower Demonstration Research Corporation, March 1986), pp. 14-21, and "Reforming Welfare With Work" (New York: Manpower Demonstration Research Corporation, December 1986), pp. 18-25.

[14] Mead, "Potential for Work Enforcement," pp. 8-9; Laurie J. Bassi and Orley Ashenfelter, "The Effect of Direct Job Creation and Training Programs on Low-Skilled Workers," in Sheldon H. Danziger and Daniel H. Weinberg, eds., Fighting Poverty: What Works and What Doesn't (Cambridge, Mass.: Harvard University Press, 1986), p. 141.

[15] Gueron, Work Initiatives, pp. 10-11, and "Reforming Welfare," p. 16.

Three things about the new programs should be stressed, in all of which they resemble WIN. First, though required work in public jobs is allowed, most of the programs have emphasized placement in private-sector jobs instead. The reasons are that it is cheaper and that private jobs are generally available. A job constraint has emerged only in rural areas, at least at the participation levels currently achieved.[17]

Second, the impacts of the programs are comparable regardless of the strategy chosen. Some programs emphasize immediate job placement, with or without a public jobs component, and some emphasize training, but the outcome is much the same—important but limited economic gains coupled with higher participation.[18] My interpretation is that obligation is what makes the programs tick. It is essential that *some activity* be *required* of recipients. It is much less critical what that activity is. Job search, training, and education as well as immediate work in government jobs can promote employment—*provided they are mandatory*.[19]

Third, according to MDRC, most states have not implemented workfare "with a punitive intent."[20] Welfare advocates fear that the purpose of work requirements is only to cut the rolls or deter the needy from seeking assistance. That sometimes has been the intention, especially in the past and in General Assistance, state-funded programs that cover mostly single men. But in AFDC workfare, as in WIN, the main goal is to enforce a work requirement *within* welfare, not instead of it. It is to raise functioning levels among the dependent *even if* they remain dependent. Ambitions to save money and reduce dependency are important also, but secondary.

Workfare has so far been implemented only in some localities, and usually only for new applicants for AFDC. What would happen if it were instituted for the entire caseload? That is the main question existing studies do not answer. In all probability, the impacts would look worse in some senses than they do for the experimental programs. Adults already receiving welfare, especially the long-term cases, are usually less employable than those who have just applied for it, so the economic gains of workfare would be smaller, and would take more support services to realize. Overall participation rates would probably be lower. But because the full caseload was involved, the aggregate impact on the welfare problem would also be greater.

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[16] Gueron, Work Initiatives, pp. 13-14, and "Reforming Welfare," p. 17-18.

[17] Gueron, "Reforming Welfare," p. 23. West Virginia is the only state studied by MDRC that has had to rely mainly on government jobs for workfare.

[18] Gueron, "Reforming Welfare," pp. 26, 28.

[19] The mix of activities preferred by a program is not significantly related to WIN perfomance. See Mead, "Expectations and Welfare Work," p. 244, and "Potential for Work Enforcement," p. 9.

[20] Gueron, Work Initiatives, p. 13.

On current evidence, I believe it is feasible to implement a serious work requirement for at least half the employable recipients, and to do this should be the goal. Such a policy could at least make work-related activity, rather than inactivity, the norm on welfare. And over time, this would do much to reduce long-term dependency.

III. DANGERS TO REFORM

Despite the potential of workfare, a successful reform may elude us because of the political mistakes the nation is prone to in social policymaking. There is a very real danger that, through partisanship or overselling, we will expect from workfare what it cannot achieve and fail to realize what it can.

Partisanship

Workfare does not affect the principle that welfare is available to the needy. Its purpose is to change the *character* of assistance. But both left and right are tempted to use it to change the *extent* of what is done for the poor, the traditional bone of partisan contention. Some liberals talk as if, through welfare reform, they could revive the overblown welfare state of the late 1970s, prior to the Reagan cuts. Some conservatives talk as if reform could get rid of welfare as we know it, or at least devolve it to lower levels of government. Specific illusions include:

The services trap. Liberal plans for workfare tend to emphasize new child care and training benefits almost to the exclusion of work obligation. It is true, as noted above, that training as well as job placement can raise work levels. Government can usefully provide training or education to clients who, through enhanced skills, can get better-paying jobs. The best obligation teenage mothers can have is to graduate from high school. A training strategy is also popular with recipients, as it caters to their career hopes.

But for most recipients the gains from training are small. There is little prospect of equipping most clients for "better" jobs. The danger is that training becomes a substitute for work rather than a preparation for it. Trainees move from one preparation course to another and never come to terms with the labor market as it is, in which few jobs they can get match their expectations. It is well to remember that WIN invested heavily in training in its early years, up to 1971. Clients were posted to school and college in large numbers, in hopes that they could become secretaries, nurse's aides, or beauticians. Few did, and most of the rest remained on welfare rather than take lesser jobs. We must not repeat that mistake now.

The public jobs trap. Another risk is that workfare will revive the large public jobs programs of the 1970s. Some liberals accept the principle that the employable should work for their support, but only in government jobs.[21] The argument is that jobs may be lacking, or that those that exist are too abusive to be used to enforce work. But jobs generally do exist, at least of a low-paid kind. Government need not provide all the jobs for workfare, only a small pool of positions to give credibility to a private-sector placement operation.

A fear that available jobs will be inhumane is unreasonable as long as they meet federal standards for pay and conditions. Perhaps those standards must be raised before, politically, we can mandate such jobs, for instance through raising the minimum wage or requiring health coverage. But that is an issue separate from welfare reform. If job quality is raised, it must be done for all low-paid workers, not just those on welfare. It is invidious and unjust to call available jobs too menial for recipients when millions of other Americans, not on welfare, do such jobs every day.

The public jobs strategy betrays the proclivity of liberals to view employment as just another benefit the dependent should receive from government. But workfare will not serve its moral and political purpose unless it is truly an obligation, rather than a right. It must emphasize real jobs in which the recipients are truly accountable for performance, most of which are in the private sector. *Workfare must finally compel acceptance of all legal jobs, however menial they are*. While training and government employment have a role in workfare, they must never obscure that reality.

The spending trap. There is a tendency for discussions of workfare to focus on its cost implications rather than its goals. Liberals say that reform is impossible unless government is willing to commit "resources" up front. While that it true, it is impolitic to lead with it. It sounds like the purpose of workfare is simply to spend more money on the poor. Rather, it is to demand greater activity on the part of the dependent, and especially to raise participation rates in work programs. Let us set that goal and then spend what is needed to reach it.

Equally, conservatives often suggest that the purpose of workfare is to save money. But it does not save much money in the short run, and the main impetus behind it is not economic at all. Middle-class social insurance benefits cost vastly more than welfare, yet are much less controversial. To stress savings is politically unwise, as it suggests that the purpose is only to reduce government's commitment to the poor. Rather, the agenda is political, to uphold social mores and advance social integration. That is a purpose for which the public is willing to spend *more* rather than less.

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[21] See, e.g., Mickey Kaus, "The Work Ethic State," The New Republic, July 7, 1986, pp. 22-33. Kaus says he prefers recipients to take private jobs, but all the enforcement in his scheme would be through public employment.

Overselling

American social programs tend to be enacted with great fanfare and little attention to the development needed to make them work right. Too much is expected too soon, and this undermines support for them in the long run. Specifically, there is:

Overpromising. Enthusiasts for workfare sometimes suggest that it would transform the nature of dependency overnight. But it can be instituted only slowly. Current programs must be extended from some to all cases in a state, and states without new programs must implement them. That would take several years at a minimum. Expectations of much higher work levels or large economic savings are bound to be disappointed in the short run.

Politicians and the public have to accept that workfare requires developing an *administrative system*. It involves *public authority* as much as spending money. The purpose is not mainly to deliver services to clients but to require that they do something in return. This second task is much tougher than the first, especially for the federal government, whose social programs typically have distributed benefits to people without requirements. Implementation requires new routines for local agencies and, more important, the development of voluntary compliance on the part of welfare clients.

Not by accident, the leading states in workfare, including California and West Virginia, have long histories of innovation in welfare employment. They are readier to deal with workfare than most other states. To institute the policy nationwide will require a long process of administrative development. That is a sobering prospect to politicians who need results to display by the next election.[22]

Neglect of implementation. Social programs tend to be legislated with inattention to how they will be carried out at the local level. Politicians naturally concentrate on defining the face of the program as it will appear to the recipient—the benefits and the eligibility rules—but this is not enough. One must also write rules for the administrators that will cause them to implement the program as designed. That involves the funding arrangements, other regulations, and reporting systems to allow Washington to follow what is happening at the local level.

Congress tends to leave too much of this to the bureaucracy. That allows client and provider groups to influence the implementation in ways that may not serve national ends. The essential targets for implementation should be written into the law. For workfare that means, above all, mandating specific participation levels by specific dates (see below).

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[22] Mead, Beyond Entitlement, pp. 135-44.

Doing too much--or too little. A related proclivity is to institute what look like promising new programs before enough is known about them. This means that mistakes are institutionalized which are then hard to correct. One example was Community Action, which was legislated after very little planning, antagonized many local officials, and never achieved its potential.[33]

Fortunately, in workfare we have two decades of experience to draw on. The period of experimentation ushered in by the 1981 reforms has been especially invaluable. States were left free to replace WIN with workfare or a number of other options with few federal restrictions. Their experience coupled with the MDRC evaluations give us a strong basis on which to approach national reforms. The Administration says, quite rightly, that nothing should be legislated that has not proved itself in local programs. A further argument for variation is that localities feel greater commitment to programs they have developed themselves.

However, the Administration also suggests that reform should mean little more than continued experimentation. That conclusion does not follow. Some things we already know work in workfare, and they should be mandated. Requirements for the dependent also raise issues too sensitive and important for some standards not to be set by Congress. It is time to begin reaping the harvest of what we have learned. To do less would disappoint the nation.

IV. AN OUTLINE FOR REFORM

The following are some things reform could and should do. Their purpose is to capitalize on what we have learned and to avoid the dangers above. I do not get into details, but reform should at least address each of these areas.[34] The first two are much the most important, as they determine the reach of work requirements.

Define more recipients as employable and hence subject to a work or training requirement. This is one of the keys to higher work levels. It means, above all, shortening the exemption from official employability that mothers now receive after childbearing. Lower the age of youngest child that exempts the mother from work requirements from the current 6 years to 3, the level that is now optional for states. Older mothers would go into work or training, but for teenage mothers, the requirement would normally be to stay in school through high school graduation.

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[33] Daniel P. Moynihan, Maximum Feasible Misunderstanding: Community Action in the War on Poverty (New York: Free Press, 1970).

[34] Much of the following is based on Mead, Beyond Entitlement, pp. 144-6, and "Work and Dependency, Part II," pp. 41-7.

I would also recommend that unwed mothers who go on welfare have no grace period. They would be subject to a work, education, or training obligation immediately, to underline that society endorses childbearing only within marriage. I am not sure, however, that such a distinction would be constitutional.

Raise participation levels among the employable. The participation rate means the share of the employable recipients engaged in required work-related effort, either work, training, or looking for work. The main reason that rate is low now is the excessive power of work program staffs over whom to obligate. Current rules say they have to work actively with only 15 percent of the employable clients to avoid federal fiscal sanctions. That level should be raised fairly quickly to 30 percent, then gradually to half or more. This is the key to changing the "work test" from a formality to a reality for the employable.

A concentration on the participation rate can also ease the political problem caused by lengthy implementation in workfare. Activity levels in the programs can be raised more quickly than economic impacts can be demonstrated. The public is quite ready to wait for lower welfare rolls if it is assured, year by year, that more and more of the dependent are doing something to help themselves.

Strenthen work programs' legal authority. The work requirement is best levied positively and informally, but the authority of work programs would be enhanced if their sanctions were strenthened. Currently, the penalty for noncooperation with the work requirement is only that the noncompliant adult's share of the welfare grant is ended. The rest of the grant continues, supporting the children and, indirectly, the noncooperator as well. I would cut off the entire grant. This may seem draconic, but it is what we already do for violations of work requirements in Food Stamps and Unemployment Insurance and for nonwork offences in AFDC.

Currently, most welfare mothers who meet work requirements arrange their own child care and prefer to do so. But current rules allow them to demand that the agency arrange the care, a route some use to postpone participation in work programs. I would shift the legal obligation to arrange care to the mother, unless she presents evidence that care is unavailable. Government would, however, pay for the care, as it does now.

Limit alternatives to work in available jobs. To be serious, work requirements have to stress work in existing private-sector jobs, even those (provided they are legal) that are menial or low-paid. Employable clients should be allowed to look for a job of their choice, but not indefinitely. They should eventually have to accept even lesser jobs in the private sector or, if necessary, a government job. This would be equivalent to Senator Moynihan's suggestion that assistance to families without requirements be time-limited, though I would set a shorter term than two years.

Limit training to those who can profit from it, and require them to demonstrate and maintain a work history as a condition of of eligibility. Require that trainees have worked prior to training, limit the length of training, and require graduates to work again before qualifying for further training. Only those who have shown elementary work discipline can succeed at training, and the experience of low-paid work will also motivate them to profit from it.

Limit the role of government jobs to enforcement for private-sector placement, except in areas with manifest job shortages. Such jobs must be carefully designed to assure that they were decent yet do not compete with available private jobs. I would confine them to entry-level positions paying the minimum wage. To receive higher wages or promotions, recipients would have to look to the private sector. They could of course switch to regular government jobs, but only by meeting the usual civil service requirements.

Develop a program for men. As mentioned above, men who abandon families and do not work regularly are a major cause of the welfare problem. Recent reforms in child support are designed to require more absent fathers to contribute to their families. But child support by itself does not assure that the fathers have earnings to contribute. Nor does it help the fathers succeed as breadwinners, so fewer of them will leave their families in the first place.

A way must be found to require that fathers work and, at the same time, help them earn more. The fathers are tougher to put under a work obligation than the mothers, because federal work tests can be levied only on those who receive federal benefits, and few of the fathers do. There are various ways the fathers might be given more support contingent on their working. Such a bargain would allow some of them to play the breadwinner role despite low skills, though many would still reject it.

One approach is to reform the Unemployed Parent part of AFDC (AFDC-UP), which at state options covers two-parent families if the father is unemployed. Rather than then *forbid* the father to work in UP, *require* him to work full-time as a condition of coverage. Welfare would then become a wage supplement for working families . The scheme would be different from past reform plans that proposed to cover the working poor in that definite employment would be required of the father, not only a search for work.

Another possibility is that work could be enforced through the child support system. While Washington cannot obligate men to work without giving them benefits, states can, and they could be required to do so as a condition of receiving AFDC matching grants. State laws would specify that, once served with a child support order, a father would have to enter a private or, if necessary, a public job in order to fulfill it, or face incarceration. A third option is to expand the Earned Income Tax Credit (EITC) to to give more subsidy to low-paid employment for men with families.

Pay attention to implementation. Phase in higher participation rates gradually. I would give states several years to reach the 30 percent level mentioned above, then raise the floor by five further points a year until the 50 percent level was reached. Then reassess to see whether the cost of services and placement would permit higher levels. Politically, there is no reason to hurry provided there is steady progress.

Obviously, all depends on how this and other performance measures are operationalized. The potential of evasion by local programs is great. The Department of Labor already has an elaborate reporting system for its employment programs, the Employment Security Automated Reporting System (ESARS). Its categories and routines must be carefully reviewed and revised to permit better monitoring of work enforcement.

Win and the Employment Service, the agency that usually performs job placement for WIN, were run until around 1980 under performance funding systems. These arrangements funded state programs, in part, according to how well they performed relative to other states in the previous time period. That approach had advantages over imposing fiscal penalties for nonperformance. Cuts in funding are less drastic and invidious and hence arouse less political opposition. While there should be penalties to enforce participation levels, performance funding should be reinstituted to promote other desirable outcomes in workfare, such as increasing the number of job entries by recipients and raising the wages they receive.[25]

Continue experimentation. While it is time to legislate tougher participation requirements nationwide, we have learned much from the post-1981 work programs, and innovation should continue. The Administration's plan for expanded experimentation has much to commend it, provided it supports, rather than supplants, the evolution of a national policy. Further experiments should satisfy the enhanced standards set out above, which express many of the "national goals" the Administration itself sets for them.[26] But states would be allowed to strengthen work requirements still further, or to vary other parameters.

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[25] For a discussion of the performance funding system formerly used in WIN, see John J. Mitchell et al., Implementing Welfare-Employment Programs: An Institutional Analysis of the Work Incentive (WIN) Program, U.S. Department of Labor R&D Monograph 78 (Washington, D.C.: U.S. Government Printing Office, 1980), pp. 19-36, 273-96.

[26] Domestic Policy Council, Low Income Opportunity Working Group, Up From Dependency: A New National Public Assistance Strategy, December 1986, pp. 81-5.

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Statement of the National Council of Senior Citizens

for Submission to the

Subcommittee
on
Public Assistance and Unemployment Compensation

Committee on Ways and Means

January 28, 1987

The National Council of Senior Citizens welcomes this opportunity to address the important issue of welfare reform. Throughout our organization's history, we have devoted special attention to the needs of the low-income elderly who are one of the most vulnerable segments of the United States population.

It is our strong belief that any endeavor, under the auspices of welfare reform, should be an honest inquiry into the needs of the poor and how to improve their lives and not a veiled attempt to cut program benefits.

Dramatic changes to our social welfare system were enacted by Congress in 1981 and 1982. Between fiscal years 1982 and 1985, $4 billion were cut from the Medicaid program and $7 billion were cut from food stamps, according to the Congressional Budget Office. Such welfare "reforms" ostensibly spared the "truly needy," but a recent Urban Institute study revealed that, "the promise of federal protection for the truly needy and maintenance of federal effort on their behalf has not been met with respect to the low-income elderly."

The authors went on to state that, "changes in the major federal programs of Medicare, Medicaid, food stamps, housing, and transportation assistance have affected the low-income elderly in negative ways." According to the report, "the poor elderly often face impossible choices among food, shelter, utilities, and health care." (Source: Testing the Social Safety Net, Martha R. Burt and Karen J. Pittman, The Urban Institute Press, 1985.)

The current Federal commitment to the needs of the poor is inadequate. Welfare reform must address the need for a better standard of living for vulnerable citizens.

Over the past two decades, our nation has succeeded in dramatically improving the economic status of the elderly. But this success must not mask the fact that millions of older persons have not shared these benefits.

Poverty among the aged continues to be a serious problem, with 1985 Census data revealing 12.6 percent of persons 65 years and over falling into poverty. Nearly 21 percent of the aged population fall below just 125 percent of the poverty line.

Subgroups of the elderly are even more vulnerable to poverty: women, minorities, persons living alone, and the very old--generally considered those aged 85 and over. All these subgroups are growing more rapidly than the overall elderly population, a phenomenon which will present new challenges to the welfare system in the coming decade.

First Vice President, Dr. Mary C. Mulvey, Providence, Rhode Island **Second Vice President**, George J. Kourpias, Washington, DC
Third Vice President, Dorothy Walker, Detroit, Michigan **Fourth Vice President**, Everett W. Lehmann, Washington, DC
Secretary-Treasurer, Jack Turner, Detroit, Michigan **General Counsel**, Robert J. Mozer, New York

The following chart, drawn from 1985 Census data, reveals the disparities in poverty among the aged.

1985 Poverty Rates

	Total	White	Black	Hispanic
Men 65+	8.5	6.9	26.6	19.1
Women 65+	15.6	13.8	34.8	27.4
Total	12.6	11.0	31.5	23.9
Persons 65+ Below 125% of Poverty	20.9	18.8	44.9	34.8

In addition, older persons living alone are nearly twice as likely to be poor as those who live with others and the very old are twice as likely to be poor as younger elders.

Even these poverty data fail to reveal the actual status of older Americans, for the Census Bureau poverty thresholds for the elderly are eight to ten percent lower than thresholds used for the non-elderly. This dates to the original development of the poverty line which assumed that older people need to eat less than others. But, according to Dr. Robert M. Russell, Director of Clinical Research at the Tufts University Human Nutrition Research Center on Aging, the aged may actually require a higher quality diet than do members of other age groups.

It has been estimated that if the same poverty threshold were used for persons of all ages, an additional half million elderly would fall into poverty.

The primary means-tested income support program serving the elderly is Supplemental Security Income (SSI). Two of the most positive features of the SSI program are that it provides a uniform federal benefit level and those benefits are adjusted annually for inflation.

These factors prevent wide disparities in benefit levels from state to state and ensure that the value of benefits will not be eroded, over time. Unfortunately, the base level of benefits provided is set at just 75 percent of the poverty line for individuals; 90 percent for couples. While many states supplement these benefits, almost none bring benefits above the poverty line. Furthermore, many state supplements are not adjusted for inflation.

The National Council of Senior Citizens believes that Federal SSI benefits should be raised to, at least, the official poverty threshold.

It is also imperative that better information be made available to the elderly poor about programs which are available to meet their needs. None of the major programs available for the low-income elderly--SSI, Medicaid nor food stamps--reaches more than one-third of the elderly poor.

Studies have shown that most elderly persons who do not participate in such programs either are unaware of them or are not sure whether they're eligible.

Medical costs have been increasing rapidly, making affordable health care problematic for the aged poor, who often have disproportionate need for such services. Although most older persons do receive Medicare benefits, there are high co-payments and deductibles which can prevent adequate medical care for the poor and many crucial services, such as eyeglasses, hearing aids and prescription drugs, are not covered at all. In most instances, the elderly poor can only receive Medicaid benefits if they are receiving SSI.

Medicaid helps fill in gaps in coverage, and should be made available to all persons below the poverty level.

Despite all the Federal means-tested programs, the true bulwark against poverty for the elderly is Social Security. Of all aged individuals and couples with incomes below $5,000, 83 percent receive Social Security which comprises 77 percent of their income. Public assistance is received by only 29 percent of such households and it comprises just 14 percent of their income. Clearly, Social Security lessens, but by no means eliminates dependence by the elderly poor on the Federal social safety net.

The National Council of Senior Citizens opposes proposals to group all or most low-income assistance programs into block grants to the states. In such approaches, adequate funding is always problematic. This pressure, in turn, results in competition for funds at the local level and requires that impossible choices be made in serving a diversity of needs.

Under a block grant approach, there is no guarantee that even current eligibility criteria and benefit levels would be maintained for the elderly poor. In fact, if current state welfare payments to families are to serve as an illustration, there is great cause for concern. For example, Alabama provides a maximum payment to a three-person family of just $118 a month. Even when Federal food stamp benefits are added, payments reach just 46 percent of the poverty line.

Furthermore, the Urban Institute study found that the combination of block grants and Federal budget cuts already enacted resulted in "poorer services to fewer people and made the availability of those services contingent on the values and priorities of a jurisdiction."

Existing Federal programs address the varying needs of the elderly poor for income, health care, nutrition, housing, energy assistance, and so forth. These programs meet vital needs and should be retained. Their major problems often stem from inadequate Federal funding, problems which would only be exacerbated under a block grant.

The NCSC is also very concerned by attempts to measure poverty including the value of non-cash benefits. The most serious flaw lies in the method for valuing medical benefits, which has been harshly criticized by the U.S. General Accounting Office. Experimental poverty counts which include medical benefits make poverty among the elderly appear to vanish--simply because older persons have much higher than average medical costs. But the effects of poverty do not end simply by finding a new way to shuffle the numbers.

Any attempt to value non-cash benefits as income and then limit such assistance to the current poverty level would be devastating to the elderly poor. Such misguided efforts would cause particular hardship to older persons who are very ill.

The National Council of Senior Citizens believes the problem of poverty in America is serious and is worthy of critical examination by policymakers. Our nation must not tolerate the lives wasted through poverty and should immediately devote the resources necessary to eliminate the suffering it causes. This should be one of our country's highest priorities. Welfare reform which truly alleviated poverty--not simply budget cuts and shifting of responsibility--would be an achievement for which our nation could be proud.

Statement by
The Honorable Michael G. Oxley
February 26, 1987
Committee on Ways and Means
Subcommittee on Public Assistance and Unemployment

Mr. Chairman and other distinguished subcommittee Members, I am pleased that in the context of your consideration of welfare reform proposals you have solicited the input of Members from outside your subcommittee. I commend your recognition of the size and scope of the task before you and before the membership of the Congress in this area.

I am right now preparing legislation which is meant to improve our child support collection laws.

Under current law, when a non-custodial parent refuses to work or is paid on a cash-only basis, state enforcement efforts are often stymied because such parents can escape garnishment. In this unfortunate situation, the custodial parent loses, and in many cases where the custodial parent or child is receiving some sort of federal assistance (such as Aid to Families with Dependent Children program payments), U.S. taxpayers also lose.

The legislation we are preparing would give the states an additional enforcement option or tool to employ in attempting to collect overdue child support payments from non-custodial parents. Basically, states which are unable to enforce payment of overdue child support could require that such non-custodial parents perform minimum wage rate public service employment sufficient to reimburse the government for any costs resulting from nonpayment of child support.

While the states are, and should remain, charged with the primary responsibility in this area, in some cases separation or divorce will result in the non-custodial parent moving to another state to establish residence. In some states, such as Ohio, this creates an extradition problem because nonpayment of child support may be a misdemeanor offense. In my view, the need for some sort of federal action in this area is apparent.

There appears to be support for such action among officials who deal daily with child support cases. In Knox County, Ohio, local officials have been requiring some form of public service employment in certain overdue child support cases for nearly a year now. They have found their local program to be effective in encouraging non-custodial parents to work harder at obtaining gainful employment sufficient to meet their child support obligations.

I'm sure that many of my colleagues in the Congress have heard repeatedly about problems in the area of child support enforcement. I would encourage your subcommittee to look closely at these problems as you consider a welfare reform proposal in this Congress. If I can be of any assistance or can provide you with additional information as you continue efforts to develop a welfare reform proposal, I hope you will contact me.

Thank you.

STATEMENT OF THE
SERVICE EMPLOYEES INTERNATIONAL UNION, AFL-CIO, CLC

On behalf of it 850,000 members, the Service Employees International Union (SEIU) welcomes this opportunity to comment on efforts to overhaul the nation's welfare program. On the one hand, many of SEIU's members help to run America's welfare system, which currently pays cash benefits to 11 million Americans. Thousands more staff the Employment Security offices which have played an important role in the Work Incentive Program (WIN). On the other hand, our diverse membership also includes many building maintenance workers, nursing home attendants and other service workers who have moved up out of poverty.

The welfare reform debate now occupies center stage. A consensus on how to reduce welfare dependency -- through emphasis on education, training and work -- is rapidly emerging. However, there is no consensus on how much to spend.

At the outset, SEIU stresses that genuine welfare reform must involve a major commitment of federal dollars. It's encouraging to see that welfare reformers are recognizing that child care is central to efforts that raise the labor force participation of AFDC mothers. Yet, any meaningful proposal must deal with the fact that the federal government has cut childcare assistance -- mainly through the Title XX Social Services Grant -- to the bone. Title XX money has been cut by over 25% since 1981.

Similarly, we must expand Medicaid coverage to low-income families who work their way off the welfare rolls to cement the changeover from welfare to work. Yet, only 46% of those with family incomes below the poverty line get Medicaid, down from 63% in 1975. And we need intensive training and job development programs to improve the skill levels and hence "employability" of AFDC recipients. All these training and support benefits are costly in the short run.

We must not be short-sighted. Without full funding, we doom a welfare-work strategy to failure from the start. In the long-run, a well-designed welfare initiative may save a substantial amount of money as it gets people off welfare rolls and onto payrolls.

A successful welfare-jobs initiative must offer a wide range of labor market assistance, including: (1) career counseling, (2) remedial and vocational education, (3) job training and (4) job placement. All of these investments in human capital have been shown to break the cycle of poverty.

But offering real educational and training options will not, by themselves, assure self-sufficiency. The education and training pay-off can be maximized by:

1. Voluntary participation in the program;
2. Trained career counselors who have a realistic knowledge of the labor force and the resources to do the job;
3. Agency Performance Measures that emphasize education and other longer-term investments as well as job placement;
4. A bill of rights that protects the health and welfare of the family during both training and a transitional period to full independence; and
5. Work experience not workfare.

1. **Voluntary vs. Mandatory Participation**

There is much controversy surrounding whether the programs should be mandatory or voluntary. Proponents feel that a mandatory work program is part-and-parcel of a reciprocal obligation in exchange for benefits. They also believe it is needed to reach the hardcore unemployed. Opponents feel that such a policy has punitive overtones.

Unless funding is open-ended, SEIU believes that participation in these programs must be voluntary, if welfare reform is to succeed. A voluntary program can build a base for political support by doing a good job with a manageable number of motivated volunteers. This political support will attract more dollars in future years to spend on the costly intensive training, child care support, and Medicaid expansion activities. This is the lesson of ET Choices in Massachusetts and Head Start at the federal level.

Our members who work with ET Choice in Massachusetts find that "freedom of choice" together with providing real service options is the best way to attract and motivate participants, including hard-core AFDC recipients, into their programs. Today, there is a waiting list of applicants that stems from its high job placement rates. The state reports that 80% of unsubsidized job placements are in the private sector. (See Appendix.)

On the other hand, California requires that all eligible persons be in one component of the GAIN program at all times. Furthermore, enrollees must sign a contract which outlines their responsibilities for completing various components of the program, including workfare. A severe fiscal budget squeeze threatens to make the GAIN program highly punitive. It also makes it less likely to reach the long-term welfare recipients with significant barriers to employment.

A mandatory program is also anti-family. The fragility of child care arrangements, frequent childhood illnesses and unsympathetic employers can force parents to choose between their jobs and their children. Political and budgetary pressures to produce high participation rates or caseload reductions could lead to inferior child care placements or worse yet, growing numbers of latch-key children. Welfare reform must recognize that our children are top priority; they can not be thrown into unsafe homes and into the streets.

2. Trained Career Counseling is Critical to the Success of a Welfare-Work Strategy

The Massachusetts' ET Choice program provides extensive career counseling and planning services. The system is integrated with state Employment Services offices to provide an assessment of labor market needs, skill requirements and job placements.

SEIU recommends this model in light of the critical role that the career counselor plays in helping the client set a path to self-sufficiency. Currently, there are only limited numbers of professional personnel available to work directly with recipients and they are frequently overworked, untrained and underpaid. These people must be given the proper training and be fairly compensated in order to perform this task. They must have the resources they need to link clients to the proper source of service.

3. Longer-Term Skill Development Must be Emphasized Along with Job Placement

High job placement rates should not be the sole measure of program success. Under current job training and WIN programs, agency performance ratings rely on the number of placements. This leads to "creaming off" of those individuals most easy to employ because there is no reward to skill upgrading and job-hunting for those difficult to place.

Yet, literacy and other educational tools may be more important for long-term welfare recipients. Nearly 60% of all welfare recipients have not finished high school. Many teenage mothers do not return to school leaving them among the most likely to become long-term welfare recipients. Each welfare recipient should be given the opportunity to earn at least a high school or an equivalency degree.

Moreover, intensive training programs may temporarily depress job placement rates, but have a longer-run pay-off. For example, the Manpower Development Research Corporation found that job search and workfare result in some statistically significant employment gains. Yet, when you measure potential earnings as well, you find that the high-intensity services programs (under WIN) have a substantial positive impact on earnings compared to job search and workfare. This is what is needed to keep people permanently off the welfare rolls.

4. Adequate Support Systems

A welfare work plan also needs a strong family support structure since the entire family is affected when the parent leaves home to work, go to school or to participate in training. The potential loss of health insurance, combined with the lack of child care and transportation, can rule out work as a rational option.

Access to health care is a difficult problem for the working poor. The tightened Medicaid eligibility rules make it difficult for the working poor, without insurance, to qualify for Medicaid. Today, workers and their dependents account for three-quarters of the 37 million uninsured in this country. The high cost of medical care for a seriously ill child could easily drive a worker back on the welfare rolls. We need to provide a transitional period of Medicaid coverage for those welfare recipients who go to work for employers who do not provide health coverage.

In a similar vein, reimbursement for child care expenses is needed both during training and for a transitional period following employment.. While access to child care is a concern for all mothers desiring to work, it can be an even greater problem for low-income women who cannot afford reliable care. In fact, lack of child care presents one of the most significant barriers to achieving self-sufficiency for these women. If we are going to encourage welfare mothers to seek jobs, we must ensure that this vital support service is available to them. Not only is good child care an important service that enables mothers to work, but it is also important for the well-being of the children involved.

Over the long haul, the government could save money by better supporting the family unit. The Population Reference Bureau (1987) showed that the potential labor market participation of women with less than a high school education could increase by over 23% if affordable child care was found.

5. Work Experience vs. Workfare

Under the WIN program, states have the option to set-up Community Work Experience Programs (CWEP). These programs can require WIN eligibles to work off their benefits in a public or non-profit organization.

SEIU oposes workfare as both punitive and counter to making welfare recipients less dependent. Workfare also seriously jeopardizes the jobs of regular workers. It is often attractive for an employer to hire workers to whom no wages have to be paid and then layoff their regular workers. Experience with state programs has demonstrated that statutory language prohibiting displacement is extremely difficult to enact and even more difficult to enforce. The punitive effects of a practice that threatens the jobs of some workers and provides no wages to others far outweigh any benefits claimed by its supporters.

SEIU does believe in the value of work experience as opposed to workfare. SEIU supports subsidized employment at wages and benefits equal to those provided to regular employees. SEIU also supports job search activities as a complement to, but not in place of, remedial education or training.

Of course, a strategy of intensive training and education is much more costly and complicated than workfare and job search, and the job placement payoff may not be as quick. But in the long run, the basic objective of helping welfare recipients achieve economic independence requires a strong focus on education, skill development, support services, and placement in unsubsidized jobs.

We also need childcare policies to help the vast majority of working Americans that are currently left on their own to deal with high prices and poor quality care.

6. Conclusion

In short, SEIU supports a well-funded voluntary welfare-work strategy that emphasizes education, training and work. Our nation's future productivity may well depend on our willingness to make significant investments in human capital for this welfare population.

At the same time, we need to take steps to improve the labor market. This includes raising the minimum wage stuck at $3.35 since 1981 and requiring all employers to provide minimum health coverage to their workers. Finally, we also need childcare policies to help the vast majority of working Americans that are currently left on their own to deal with high prices and poor quality child care.

STATE WELFARE INITIATIVES: MASSACHUSETTS VS. CALIFORNIA

SEIU state and local workers participate in two of the welfare reform programs most often mentioned as models for federal welfare reform - Massachusetts and California. Both programs contain common ingredients, but differences in funding and work requirements produce different outcomes.

SEIU Local 509 members who work in the Massachusetts ET Choices program support it enthusiastically. They appreciate having a real choice to offer AFDC recipients. Local 509 feels that the emphasis the state and Governor Dukakis place on training has reversed the negative attitude towards earlier mandatory programs. According to Local 509 social workers, ET Choices is successful because it offers welfare recipients positive alternatives, which encourages them to improve their skills.

Members of SEIU Local 535 in California are having a different reaction to the Greater Avenues to Independence (GAIN) program recently established there. While this program has positive features, the lack of funding to create affordable child care slots and of provision for job development combined with the punitive nature of the program may doom this program's goal to promote self-sufficiency.

MAJOR PROGRAM DIFFERENCES

These programs differ on several key points, such as:

- **Voluntary vs. Mandatory Program** - In Massachusetts, all AFDC recipients with children over 6 are required to register for the ET Choices program. However, they are free to choose whether or not to participate in any of the choices offered after registering. The voluntary approach has worked well in Massachusetts. Because Massachusetts' program is voluntary, recipients are not threatened by it and are eager to participate. The social workers who operate the program are enthusiastic, because they feel that they are offering welfare recipients an opportunity rather than a punishment.

  Through ET Choices, over 23,000 people have secured full or part-time jobs and 86% of the people who get off welfare through this program are still off welfare one year later. All the jobs are unsubsidized and most are in the private sector.

  The California program, on the other hand, is mandatory for recipients with children over 6. Funding restrictions have put a crunch on job training programs, so many participants end up working in government or private non-profit workfare jobs.

- **Support Services** - Massachusetts has invested the money in providing support services to participants in ET Choices. The state provides funding for daycare during the program and for up to a year after the participant has found a job. In addition, they provide funds for transportation during the program and Medicaid coverage for up to 15 months for recipients if their employers do not offer health insurance.

California's support services are much more limited. They provide funds for child care for only 3 months after the participant has found a job. However, the program is plagued by a lack of child care slots and transportation -- a major problem in California -- was not addressed adequately.

- **Workfare** - Massachusetts' program does not have a "workfare" element. Eighty percent of its placements are with private sector employers, largely because of its heavy training investment.

  In California, recipients who are unable to find jobs after completing a training program are required to work in government or non-profit workfare jobs. The PREP program consists of both short-term (3 months) and long-term (12 months) assignments. In addition to the punitive nature of this type of program, one of our major concerns is that this can result in the displacement of regular government workers.

- **Funding** - ET Choices is one of the top priorities of the state of Massachusetts and, consequently, it has received considerable funding from the state. Adequate funding is largely responsible for the overall success of the program.

  On the other hand, one of the persistent criticisms of GAIN in California has been that it is grossly underfunded and will never be able to meet its goals without significant funding increases.

CALIFORNIA'S GAIN PROGRAM TROUBLES

In California, underfunding, lack of adequate support services and the mandatory nature of the program, and general lack of planning are threatening the GAIN program.

In Fresno County, for example, the local schools were unprepared to handle the large volume of new participants in adult education classes. In addition, initial provisions for on-the-job training turned into what was essentially a workfare program because funding was not set-aside for employer reimbursements.

The GAIN program is also muddled in confusion over the contract which the recipient must sign. The basic contract designed by the state is six pages long and the process of explaining this form and registering a client can take 1 1/2 to 2 1/2 hours. This has added to the amount of staff time needed to administer the program and reduced participants' understanding of it. The workers who handle the program are overburdened already and sufficient additional workers were not hired to handle the increased workload responsibilities.

Child care is another major obstacle. California has a shortage of available child care and the GAIN program does not allow for sufficient additional resources from the state to increase child care funding. Another problem is the short three-month child care support during the transitional period from welfare to work.

The newness of the GAIN program makes it difficult to judge the success of the program. However, many critics feel that the program as currently structured will never be able to provide welfare recipients with the kind of training they need to get jobs which pay well enough to allow them to support themselves and obtain adequate child care. Without these types of jobs, they will be unable to remain off welfare.

Overall, the positive results of ET Choices in Massachusetts and the initial problems with implementing GAIN in California support SEIU's position that to be successful, an employment and training program for welfare recipients must be voluntary, provide adequate support services, not include a CWEP component and be fully funded.

STATEMENT OF THE HONORABLE VIRGINIA SMITH TO THE HOUSE WAYS AND MEANS SUBCOMMITTEE ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION REGARDING WELFARE REFORM

FEBRUARY 27, 1987

Mr. Chairman, I appreciate the opportunity to submit a statement today on the important and timely issue of welfare reform. I am glad President Reagan has made comprehensive reform of the current welfare system one of his foremost priorities.

It is no secret the general public's perception of our country's welfare programs is not favorable. Hundreds of my own constituents in Nebraska have written to share with me their personal observations of waste and abuse of welfare dollars. Something is obviously quite wrong with a system that encourages dependence, family breakup, illegitimacy, low educational attainment, and the waste of human potential.

It is, therefore, incumbent upon this Congress to reform the current welfare programs so that, while providing help for the truly needy, those that are perfectly capable of providing for themselves have the opportunity and impetus to do so.

On January 8 of this year, I introduced legislation, HR 598, that, I believe, will help accomplish this goal. HR 598 provides that each state establish a workfare program and requires participation in that program by able-bodied welfare recipients. My bill exempts from participation those who are disabled, under age 18, over age 65, work at least 40 hours per week, or are responsible for the care of a child two years old or younger.

Under my bill, if anyone collecting welfare and eligible for the workfare program refuses to accept an employment offer or refuses to perform qualified employment during any given month, they and anyone else in their family who receive welfare will not be entitled to benefits for that month.

HR 598 would save federal and state tax dollars by eliminating waste and fraud and by exposing those who have no intention of providing for themselves. It would also benefit those who desire employment but have nowhere to turn under the current system. Indeed, I believe most welfare recipients fall into this latter category.

Many states have taken the initiative in this regard by creating their own workfare programs. And, according to a report by the highly respected Manpower Demonstration Research Corporation, most welfare recipients not only consider workfare fair, but a boost to self-esteem and a path to regular employment.

The success of effectively administered demonstration workfare programs is well documented. In New Jersey, officials have estimated its workfare program placed 6,927 people in jobs, out of 122,800 families enrolled in the Aid to Families with Dependent Children (AFDC) program. This provided a net savings of about $6 million, money that would have otherwise been paid out in welfare benefits.

Participants in San Diego's workfare program showed a 10% improvement in employment over program nonparticipants during a 15 month period. Average earnings rose 23% over nonparticipants during the same period. Even welfare mothers, the group with the most difficulty in the workforce, showed employment and income gains. The San Diego program also showed impressive tax dollar savings, particularly with respect to federal dollars. The Manpower Demonstration Research Project estimated that reduced AFDC and Medicaid payments, increased taxes and other budget gains resulted in an overall federal gain of about $600 per workfare participant in the 15 months of the San Diego program.

Successes achieved by Nebraska's Job Support program will also be instructive to the welfare reform debate. The Job Support program provides three forms of assistance to AFDC recipients aimed at encouraging them to find permanent employment.

One aspect of Nebraska's Job Support program embodies a Work Incentive Demonstration initiative tailored to meet the unique needs and problems encountered by welfare recipients in our state. The thrust here is to put the responsibility of finding employment onto the program participants. To assist in their preparation for meaningful work, training initiatives are offered. Job Training Partnership Act (JTPA) funding helps pay tuition costs for these training programs. The Work Incentive Demonstration program in Nebraska also offers referral services to recipients and helps meet the special needs of those who have personal problems, such as alcoholism or drug addiction, that hinder their success in the workplace.

Another important aspect of the Job Support program is the Job Search initiative. Job Search offers classroom instruction aimed at helping recipients improve their job hunting skills, including interviewing skills, and strategies to improve upon the recipient's self-esteem.

Finally, Nebraska's Job Support program includes a Community Work Experience Program (CWEP). This is, essentially, a workfare program. Two-parent AFDC households in which neither parent has found employment within three months are required to participate.

The results from the Job Support program have been impressive. Currently, 7,200 low income Nebraskans are required to participate in Job Support. In fiscal year 1986, 4,685 participants obtained employment. This success rate offered a projected savings of over $6 million in AFDC costs in FY86 alone. This compares very favorably with total federal and state spending on the Job Support program of $4 million. Since July of 1986, 2,458 additional Nebraskans have found employment through the Job Support program. This success rate is uniform across both the rural and urban areas of the state.

Administrators of the Job Support program in Nebraska have found that the earlier AFDC recipients become involved in the program, the better the employment prognosis. For this reason, Nebraska asked for a federal waiver so that women in the state whose children are age three years or older are required to participate. The current federal age limit is six years and older. Women with younger children, of course, tend to be younger themselves and have been dependent on welfare for a shorter period of time. For them, the chains of dependency are more easily broken. Twenty-five percent of those getting jobs out of the Job Support program come from this waiver population. Nebraska is currently in the process of requesting a federal waiver to require participation by those with children six months or older. Obviously, child care services are provided for all these participants.

It is quite clear there is nothing inherently punitive or unfair about requiring welfare recipients to work if able to do so. It is, of course, important that workfare programs teach marketable skills. Make-work projects can do little to break the bonds of dependency. Through effective training of marketable skills, participants can build a work history to further their chances for permanent employment. At the same time, taxpayers can save money as the welfare rolls are trimmed.

Hopefully, this historic 100th Congress will take decisive action on the issue of welfare reform. I look forward to continuing to offer my views as this debate continues, and I appreciate the Subcommittees' consideration of my statement.

Thank you.